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Greg Donaghy
Editor

MINISTÈRE DES AFFAIRES ÉTRANGÈRES ET
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INTRODUCTION

INTRODUCTION

Ce livre est le second d'une série de deux volumes qui portent sur la période du 1er janvier 1956 au 10 juin 1957, date des élections générales au cours desquelles le gouvernement libéral dirigé par le Premier ministre Louis Saint-Laurent a été renversé par le Parti progressiste conservateur de John G. Diefenbaker. Bien qu'il soit évidemment impossible de diviser la période en deux volumes absolument complets et autonomes, l'éditeur et le Directeur général de la publication ont essayé de garder groupés autant que possible les documents apparentés sans trop s'écarter de l'organisation thématique qui caractérisait les volumes précédents de cette série. Il fallait en même temps, pour des raisons pratiques et budgétaires, que les deux volumes aient à peu près la même grosseur. Le premier volume, publié en juin 2001, se concentrait sur la crise de Suez et traitait du Moyen-Orient, des Nations Unies, de l'OTAN et du Commonwealth. Ce volume porte sur les relations avec les États-Unis, l'Union soviétique et l'Europe, l'Extrême-Orient, et l'Amérique latine. Il comprend des chapitres additionnels sur l'Afrique du Nord, l'énergie atomique et les relations économiques multilatérales.

Le visage changeant de la guerre froide entre l'Occident et l'Union soviétique a continué de préoccuper les décideurs canadiens pendant une bonne partie de la période étudiée dans ce volume. Ottawa a accueilli favorablement la baisse des tensions qu'annonçait la décision prise par Moscou d'instaurer une « coexistence concurrentielle » et s'est réjoui lorsque le Premier ministre soviétique, Nikita Khrouchtchev, a dénoncé Staline lors du 20e Congrès du Parti Communiste, en février 1956. « Il y a peu de doute que le mythe de Staline est en voie d'être complètement détruit » jubilait le Secrétaire d'État aux Affaires extérieures, Lester B. Pearson. « À présent, le corps de Staline – tout comme le cadavre d'Oliver Cromwell, va probablement être pendu, noyé et écartelé.» [Document 537] Bien qu'intrigué par cette évolution en Union soviétique, Ottawa se méfiait encore des intentions de Moscou. Au sein du ministère des Affaires extérieures, R.A.D. Ford, qui était le chef de la Direction de l'Europe et le plus éminent soviétologue du Canada, faisait cette sinistre mise en garde : « comme les visées des Soviétiques demeurent essentiellement les mêmes, la menace que fait peser l'URSS, bien qu'elle ait changé de caractère, demeure lourde et, à certains égards, plus dangereuse que la politique purement agressive de Staline. » [Document 536]

Parfois, les autorités canadiennes hésitaient sur ce qu'il fallait faire face à cette menace différente. C'était particulièrement le cas quand il s'agissait de réagir à la présence grandissante de Moscou dans les pays en développement. R.A.D. Ford et A.E. Ritchie, qui était à la tête de la Direction économique, ne s'entendaient absolument pas sur la stratégie occidentale et canadienne à adopter pour contrer les nouvelles interventions soviétiques en Afrique et en Asie. [Document 539] En revanche, les décideurs canadiens étaient d'accord pour négocier directement avec l'Union soviétique et ses satellites d'Europe de l'Est. Ils estimaient tous qu'il était judicieux de conclure un accord commercial avec Moscou et de vendre du blé canadien à l'URSS moyennant un paiement en espèces. La plupart d'entre eux reconnaissaient aussi la nécessité de prendre la direction du programme bilatéral et d'empêcher Moscou de définir les relations. « Nous ne pouvions pas nous borner à répondre aux visites proposées par le gouvernement soviétique en l'invitant à notre tour », déclarait M. Pearson à ses collègues du Cabinet. « Nous devons prendre nous-mêmes l'initiative dans des

INTRODUCTION

This is the second of two volumes covering the period January 1, 1956 to June 10, 1957, when Prime Minister Louis St. Laurent's Liberal government was defeated in a general election by John G. Diefenbaker's Progressive Conservative Party. Although it is clearly impossible to divide the period into two completely self-contained volumes, the editor and general editor have tried to keep together as much associated material as possible without departing too much from the thematic organization that has characterized earlier volumes in this series. At the same time, practical and budgetary considerations dictated that the two volumes be roughly similar in size. The earlier volume, published in June 2001, focused on the Suez Crisis and contained material on the Middle East, the United Nations, NATO and the Commonwealth. This volume covers relations with the United States, the Soviet Union and Europe, the Far East, and Latin America. It includes additional chapters on North Africa, atomic energy, and international multilateral economic relations.

The shifting character of the Cold War confrontation with the Soviet Union continued to preoccupy Canadian policy-makers for much of the period documented in this volume. Ottawa welcomed the easing of tensions that was signalled by Moscow's pursuit of "competitive co-existence" and was pleased when Soviet Premier Nikita Khrushchev denounced Stalin during the 20th Communist Party Congress in February 1956. "There can be little doubt that the myth of Stalin is being completely demolished," exulted Lester B. Pearson, the Secretary of State for External Affairs. "[N]ow the body of Stalin – like that of Oliver Cromwell, is, post-mortem, likely to be hanged, drawn and quartered." [Document 537] Though intrigued by these developments within the Soviet Union, Ottawa remained wary of Moscow's intentions. In the Department of External Affairs, R.A.D. Ford, the head of the European Division and Canada's foremost Soviet expert, warned grimly that "as the basic Soviet aims remain the same, the challenge from the USSR, while changed in character, remains strong and in some respects more dangerous than the nakedly aggressive policy of Stalin." [Document 536]

Canadian officials were sometimes unsure how to respond to this altered threat. This was especially true of Moscow's growing presence in the developing world. Ford and A.E. Ritchie, the head of the Economic Division, disagreed strongly over Western and Canadian strategy for countering new Soviet initiatives in Africa and Asia. [Document 539] Canadian policy-makers were united, however, when it came to dealing directly with the Soviet Union and its East European satellites. Everyone thought it sensible to conclude a trade agreement with Moscow and sell Canadian wheat to the USSR for cash. There was also broad agreement on the need to seize control of the bilateral agenda and prevent Moscow from defining the relationship. "It was not sufficient for us merely to reciprocate visits proposed by the Soviet Government," Pearson told his Cabinet colleagues. "We must take the initiative ourselves in fields of special interest to us, in order, among other things, to forestall undesirable initiatives from them." [Document 508]

More important, the relaxation of Soviet policy prompted the Department of External Affairs to conduct a comprehensive review of the government's attitude toward the satellite states of Eastern Europe. In Ford's view, Canada should no longer ostracize the satellites to keep the Soviet Union on the defensive, but engage them more actively in economic, cultural, and information exchanges. "The regimes are not going to be overthrown, so we had better concentrate our efforts on trying to make

domaines qui nous intéressent particulièrement afin, entre autres, de prévenir les interventions indésirables des Soviétiques. » [Document 508]

Fait plus important, l'assouplissement de la politique soviétique a incité le ministère des Affaires extérieures à entreprendre un examen complet de la position du gouvernement à l'égard des pays satellites d'Europe de l'Est. Selon M. Ford, le Canada ne devait plus frapper d'ostracisme les satellites pour garder l'Union soviétique sur la défensive; il devait plutôt les faire participer de manière plus dynamique aux échanges économiques et culturels ainsi qu'au partage d'informations. M. Ford constatait, en juin 1956, « Les régimes ne vont pas être renversés; donc, il vaudrait mieux concentrer nos efforts pour essayer de les rendre plus acceptables à nos yeux ». « Notre politique devrait viser à encourager leur indépendance vis-à-vis de Moscou, tout en précisant clairement que nous n'avons pas d'intentions belliqueuses et que nous ne comptons absolument pas modifier radicalement leurs régimes sociaux et politiques actuels. » [Document 522]

L'Europe de l'Est, quant à elle, aspirait au changement. En automne 1956, des gouvernements communistes « nationalistes » ont vu le jour en Pologne et en Hongrie suite à l'agitation populaire qui a secoué les satellites. À la fin d'octobre, sous le regard stupéfait des habitants de la planète, des intellectuels et étudiants hongrois ont forcé les troupes soviétiques à se retirer de Budapest. La réaction de Moscou a été prompte et brutale. Les tanks et les soldats ont écrasé rapidement les rebelles mal armés et établi un gouvernement fantoche. Le sous-secrétaire d'État aux Affaires extérieures, Jules Léger, donnait cette explication : « L'erreur des rebelles et celle commise par [le Premier ministre Imre] Nagy pour s'être efforcé de satisfaire à leurs exigences a été d'essayer d'aller trop loin et trop vite ».[Document 463] Tandis que M. Pearson s'évertuait à faire sortir la Grande-Bretagne et la France de la situation fâcheuse dans laquelle elles se trouvaient au Moyen-Orient, le Canada se bornait à suivre l'exemple de Washington, qui consistait à condamner la conduite de Moscou en adoptant coup sur coup aux Nations Unies plusieurs résolutions, toutes aussi inutiles. Ces modestes témoignages de solidarité à l'égard du peuple hongrois, obtenus seulement au terme d'une longue querelle avec les délégations africaines et asiatiques à New York, ont déçu beaucoup de gens et leur ont donné l'impression d'avoir été trahis. « Je pense que nous devons reconnaître », concluait M. Ford, « que la démarche des Nations Unies à l'égard de la Hongrie a été dans une large mesure un échec ... On a refusé obstinément d'entendre la seule leçon utile que l'on aurait pu apprendre du groupe arabo-asiatique sur la nature du régime soviétique. » [Document 506]

Pour faire face au flot de réfugiés hongrois qui se répandait dans toute l'Europe à la suite de la crise, le Canada a également fait preuve d'un manque d'imagination. Comme les documents présentés au chapitre deux l'illustrent clairement, la réaction d'Ottawa a été lente et hésitante. M. Pearson insistait pour que le gouvernement verse une somme équivalant aux fonds qui affluaient de sources nationales et internationales pour aider les réfugiés, mais il a eu du mal à surmonter les difficultés. Il a exhorté le ministre de la Citoyenneté et de l'Immigration, J.W. Pickersgill, d'accepter plus de réfugiés et pressé le Cabinet d'accorder des ressources supplémentaires. Le plus souvent, toutefois, il essuyait un refus et subissait un échec. Le Cabinet hésitait à mettre à l'épreuve la capacité du pays d'absorber les réfugiés, et faisait preuve de scepticisme et de manque de solidarité à l'égard des efforts déployés par les Nations Unies en Europe.

them more acceptable from our point of view," he observed in June 1956. "Our policy should be directed toward encouraging independence from Moscow while making it clear that we have no aggressive intentions and no intentions of radically altering their present social and political systems." [Document 522]

East Europe, nevertheless, wanted change. By the fall of 1956, popular unrest in the satellites had thrown up "nationalist" Communist governments in Poland and Hungary. In late October, as the world watched in amazement, Hungarian intellectuals and students forced Soviet troops to retreat from Budapest. Moscow's response was swift and brutal. Tanks and troops quickly crushed the poorly armed rebels and installed a puppet government. "The mistake of the rebels, and of [Premier Imre] Nagy for trying to keep pace with their demands," the Under-Secretary of State for External Affairs, Jules Léger, explained, "was in trying to go too far and too fast." [Document 463] With Pearson preoccupied with extracting Britain and France from their misadventures in the Middle East, Canada simply followed Washington's lead, condemning Moscow's behaviour by passing one futile United Nations resolution after another. These small gestures of support for the Hungarian people, which were won only after protracted struggles with the Afro-Asian delegations in New York, left many feeling bitter and betrayed. "I think we must agree," concluded Ford, "that the action of the UN on Hungary was largely a failure.... The one lesson that might profitably have been learned by the Arab-Asian group concerning the nature of the Soviet system has been obstinately refused." [Document 506]

Canada's response to the flood of Hungarian refugees that spilled across Europe in the wake of the crisis was equally uninspired. As the documents in chapter two make clear, Ottawa's reaction was slow and hesitant. Pearson insisted that the government match the outpouring of domestic and international support for the refugees but found the going tough. He urged J.W. Pickersgill, the Minister of Citizenship and Immigration, to accept more refugees and he pressed Cabinet for additional resources. But more often than not, he was rebuffed and defeated. Cabinet hesitated to test the country's capacity to absorb the refugees, and it proved sceptical and unsupportive of UN efforts in Europe.

In contrast, Canadian policy toward Poland was more engaged and dynamic. The fate of the moderately nationalist Communist government in Poland was all the more important in view of the Soviet Union's intervention in Hungary. "The success of the Poles in establishing and maintaining a measure of independence in their internal affairs," Léger observed in late November 1956, "will provide the key to Soviet policy in Eastern Europe." Pearson agreed, and Canada set out to "wean Poland gently away from its dependence on Moscow." [Document 569] Canadian diplomats tried to normalize relations with Poland, resolve the long-standing dispute over the Polish Art Treasures, and bolster the Polish economy with much-needed financial credits.

The persistence of the Cold War meant that defence and security questions continued to dominate Canada's relations with the United States. The tensions between national and continental approaches to North American air defence, already an important theme in Volume 21, intensified sharply in 1956-57. In January 1956, Ottawa learned that Washington wanted permission to deploy nuclear weapons over Canada. A month later, the U.S. Joint Chiefs of Staff asked Ottawa for its views on the feasibility of fully integrating the two countries' air defence systems. General Charles Foulkes, chairman of the Chiefs of Staff, was anxious to meet American demands but

En revanche, la politique canadienne à l'égard de la Pologne était plus engagée et plus dynamique. Le sort du gouvernement communiste modérément nationaliste de la Pologne prenait encore plus d'importance en raison de l'intervention de l'Union soviétique en Hongrie. À la fin de novembre 1956, M. Léger a fait remarquer :« Si les Polonais réussissent à acquérir et à conserver une certaine indépendance dans leurs affaires intérieures, ce succès déterminera la politique soviétique en Europe de l'Est. » M. Pearson était d'accord avec lui, et le Canada a entrepris de « faire cesser lentement la dépendance de la Pologne à l'égard de Moscou ». [Document 569] Les diplomates canadiens ont essayé de normaliser les relations avec la Pologne, de résoudre le différend de longue date concernant les trésors d'art polonais et de soutenir l'économie polonaise en lui offrant une aide financière dont elle avait grandement besoin.

Comme la guerre froide se poursuivait, les questions de défense et de sécurité ont continué de jouer un rôle prépondérant dans les relations entre le Canada et les États-Unis. En 1956-1957, on a observé une nette aggravation des tensions entre les approches nationales et continentales à l'égard de la défense aérienne de l'Amérique du Nord. Ce dossier constituait déjà un sujet important, examiné dans le volume 21. En janvier 1956, Ottawa a appris que Washington désirait obtenir l'autorisation de déployer des armes nucléaires au Canada. Un mois plus tard, les chefs d'état-major combinés des États-Unis ont demandé au gouvernement canadien ce qu'il pensait de la possibilité d'intégrer complètement les systèmes de défense aérienne des deux pays. Le général Charles Foulkes, chef de l'état-major interarmes, désirait vivement acquiescer à la demande des Américains, alors que les dirigeants du ministère des Affaires extérieures étaient plus prudents. L'ambassadeur du Canada à Washington, Arnold Heeney, faisait part de ces préoccupations : « Si les chefs d'état-major américains et canadiens s'entendaient sur l'intégration du contrôle opérationnel de nos systèmes de défense aérienne et sur le déploiement d'unités nucléaires américaines au Canada, je me demande si le gouvernement serait aussi libre qu'il devrait l'être pour prendre des décisions bien fondées. » [Document 22]

Le débat entre diplomates et militaires s'est poursuivi de façon latente au cours de l'été et de l'automne 1956 avant que le Cabinet ne consente à contrecoeur au déploiement d'armes nucléaires américaines assorti des garanties voulues. Le ministère des Affaires extérieures insistait aussi sur la nécessité de maintenir la position canadienne au sein de tout système intégré de défense continentale. M. Léger avançait ces arguments : « La géographie et notre volonté de collaborer efficacement aux efforts communs de défense continentale nous confèrent un droit spécial d'exiger des consultations plus poussées. » [Document 46] Le Ministère voulait également profiter de l'intérêt que les Américains portaient à la défense continentale pour préciser les obligations qui incombaient à Washington de consulter son allié de plus petite taille et, en fin de compte, il a contraint le ministère de la Défense nationale à adopter cette position en février 1957. [Document 47] Le compromis a duré tout le printemps, mais après la défaite électorale subie par le gouvernement en juin, le Cabinet à refusé d'agir et laissé au nouveau ministère le soin d'examiner ce dossier. [Document 51]

La présence militaire croissante des Américains au Canada éveillait de plus en plus la méfiance des ministres. L'un d'eux a signalé au Cabinet qu' « il était regrettable que de plus en plus de troupes américaines soient stationnées dans des bases situées sur le

officials in the Department of External Affairs were more cautious. "If the United States and Canadian Chiefs of Staff should agree on an integrated operational control of our air defences and the deployment of U.S. atomic units in Canada," worried Arnold Heeney, Canada's ambassador to Washington, "I wonder whether the Government would be as free as it should be to take decisions on the merits?" [Document 22]

The debate between the diplomats and the military simmered during the summer and fall of 1956 before Cabinet reluctantly agreed in January 1957 to accept American nuclear weapons with appropriate safeguards. The Department of External Affairs also insisted on safeguarding Canada's position in any integrated continental defence system. "Geography and our willingness to cooperate effectively in joint continental defence efforts," Léger argued, "give us a special right to demand closer consultation." [Document 46] The Department wanted to use the American interest in continental defence to detail Washington's obligations to consult its smaller ally, a position it finally forced on the Department of National Defence in February 1957. [Document 47] The compromise held up through the spring, but when the government was defeated in the June election, Cabinet declined to act and left the matter for the new ministry. [Document 51]

Ministers were increasingly wary of the growing American military presence in Canada. "It was unfortunate," one pointed out in Cabinet "that more and more U.S. forces were being stationed at bases on Canadian soil." [Document 115] Canadians too wondered about the costs and benefits of the close postwar security arrangements with the United States. In the spring of 1957, a U.S. Senate subcommittee on internal security revived the unsubstantiated charges of Communist subversion against Herbert Norman, Canada's Ambassador to Egypt. Acutely distressed at these renewed allegations, Norman committed suicide on April 4, 1957, igniting a firestorm of anti-American protest in Canada. The pressure on Pearson, who told Heeney that he "had never experienced an atmosphere so critical of the United States on all sides of the House of Commons and throughout the country," was intense. [Document 63] Ottawa protested in the strongest terms and sought firm assurances that any confidential information about Canadian citizens supplied to the United States would remain secret. When none was forthcoming, Ottawa threatened to cancel existing arrangements for the bilateral exchange of security information.

A growing number of increasingly testy economic issues also crowded the bilateral agenda in 1956-57. Canadian ministers and their officials continued to worry about Washington's aggressive use of the ill-famed Public Law 480 to sell heavily subsidized American wheat into Canadian markets. They also fretted about unrelenting Congressional demands for import restrictions on groundfish, oil, and alsike clover. Ottawa reacted with exceptional vigour when the White House decided to increase the tariff on lead and zinc, "a most serious breech in the determination of the administration to resist pressures for protection on important items for international trade." [Document 235]

The St. Laurent government was not deaf to the pleas for help from its own domestic interests. The 1956 budget, for instance, introduced controversial measures designed to protect the small Canadian magazine industry from American competition, prompting a sharp exchange of views with Washington. Cabinet was quick to help Premium Iron Ores Limited deal with its American tax problems, anxious to counter

territoire canadien ». Les Canadiens se demandaient eux aussi quels étaient les coûts et les avantages des accords de l'après-guerre qui resserraient la coopération avec les États-Unis en matière de sécurité. Au printemps 1957, un sous-comité sénatorial américain chargé de la sécurité intérieure a renouvelé les accusations non fondées de subversion communiste portées contre l'ambassadeur du Canada en Egypte, Herbert Norman. Accablé par ces nouvelles allégations, M. Norman s'est suicidé le 4 avril 1957, ce qui a soulevé au Canada une tempête de protestations contre les États-Unis. Des pressions intenses s'exerçaient sur M. Pearson, qui a déclaré à M. Heeney qu'il « n'avais jamais observé une attitude aussi critique à l'égard des États-Unis de la part de tous les députés de la Chambre des communes et dans tout le pays ». [Document 63] Ottawa a protesté énergiquement et a demandé des garanties formelles assurant que toute information confidentielle concernant des citoyens canadiens fournie aux États-Unis demeurerait secrète. N'obtenant pas de réponse à cette requête, le gouvernement canadien a menacé de rompre les accords existants relatifs à l'échange bilatéral de renseignements sur la sécurité.

De plus, un nombre croissant d'épineuses questions économiques surchargeaient le programme bilatéral en 1956-1957. Les ministres canadiens et leurs fonctionnaires étaient encore préoccupés par l'attitude de Washington qui brandissait la funeste Public Law 480 pour vendre du blé américain fortement subventionné sur les marchés canadiens. Les requêtes incessantes du Congrès en vue d'imposer des restrictions à l'importation de poisson de fond, d'huile et de graine de trèfle d'alsike les irritaient également. Ottawa a réagi avec une vigueur exceptionnelle lorsque la Maison-Blanche a décidé de hausser les droits de douane sur le plomb et le zinc, « un manquement extrêmement grave à la résolution prise par l'administration de résister aux pressions afin de protéger d'importants produits destinés au commerce international ». [Document 235]

Le gouvernement Saint-Laurent n'est pas resté sourd aux appels à l'aide pour défendre ses propres intérêts nationaux. Par exemple, le budget de 1956, instaurait des mesures controversées destinées à protéger les intérêts de la petite industrie canadienne de la publication de magazines contre la concurrence américaine, mesures qui ont suscité un échange de propos très vifs entre Ottawa et Washington. Le Cabinet a aidé rapidement Premium Iron Ores Limited à résoudre ses problèmes fiscaux avec les Américains, car il était pressé de démentir « l'impression assez répandue que le gouvernement canadien ne s'intéressait pas au traitement infligé par le gouvernement des États-Unis à une entreprise canadienne ». [Document 199] À l'aube des élections fédérales de juin 1957, les appels adressés à Ottawa ont été plus vibrants, et le gouvernement libéral y a répondu en prenant des mesures pour protéger les dindes ainsi que les fruits et les légumes canadiens contre la concurrence des voisins du Sud.

Comme toujours, les décideurs canadiens et américains ont dû s'occuper à régler les questions transfrontalières. Les progrès rapides en vue de l'ouverture de la Voie maritime du Saint-Laurent ont été compromis au début de 1956 lorsqu'est survenu un différend majeur parce qu'Ottawa voulait garder sa liberté d'étendre la Voie maritime sur le territoire canadien sans le consentement des Américains. La détermination d'Ottawa de retarder le projet pour parvenir à ses fins a, en définitive, persuadé Washington de battre en retraite, quoiqu'à regret et de mauvaise grâce. Le débat sur l'avenir du Peace Bridge, reliant Fort Erie, en Ontario, à Buffalo, dans l'État de New York, a également été marqué par des négociations bilatérales tout aussi laborieuses.

"the rather widespread impression that the Canadian Government was not taking an interest in the treatment being given by the U.S. Government to a Canadian firm." [Document 199] As the June 1957 federal election approached, the demands on Ottawa grew louder, and the Liberal government responded with measures to protect Canadian turkeys, fruits and vegetables from southern competition.

As always, transboundary questions kept policy-makers busy on both sides of the border. Speedy progress on the St. Lawrence Seaway was jeopardized in early 1956 when fundamental differences arose over Ottawa's determination to retain its freedom to expand the Seaway in Canadian territory without American consent. Ottawa's willingness to delay the project to achieve its purpose eventually persuaded Washington to retreat – albeit reluctantly and ungraciously. Equally difficult bilateral negotiations characterized discussions over the future of the Peace Bridge, which joined Fort Erie, Ontario, with Buffalo, New York. The documents reprinted here offer a rare illustration of the interaction between local Members of Parliament, Cabinet ministers, and federal bureaucrats in determining policy.

The most important continental resource issue covered in this volume is undoubtedly the government's new policy toward the development of rivers flowing across the Canada-U.S. border. In February 1956, after years of fruitless debate in the International Joint Commission on the future of the Columbia River system, the Minister of Northern Affairs and National Resources, Jean Lesage, proposed direct talks with Washington at the political and diplomatic levels. These, he hoped, would determine new principles for sharing the upstream and downstream benefits of all rivers crossing the international border. To Ottawa's evident delight, United States President Dwight Eisenhower accepted the proposal, which St. Laurent advanced during his visit to White Sulphur Springs in March 1956. The talks themselves started slowly, and much of the material reprinted here records the struggle to define the scope of the negotiations and reach an agreed position with British Columbia's argumentative premier, W.A.C. Bennett.

Economic questions also dominated Canada's relations with Western Europe, where the emergence of the Common Market and British proposals for a European Free Trade Area represented a formidable challenge. Pearson, deeply influenced by the views of Belgian Foreign Minister Paul-Henri Spaak, emphasized the political benefits for the Western alliance of closer integration in Europe and discounted the economic costs to Canada. The Minister of Finance, Walter Harris, and his ally, the Minister of Trade and Commerce, C.D. Howe, took a more hardheaded view, and were unprepared to welcome either the Common Market or the proposed European Free Trade Area. But Pearson carried the Prime Minister with him against these two formidable opponents, and in the end, Canada's attitude to developments in Europe was not unsympathetic.

A similar lack of enthusiasm characterized Canada's approach to other European institutions. In the Organization for European Economic Cooperation (OEEC), Canada remained an aloof and reluctant participant in the organization's program for trade liberalization. Louis Rasminsky, Deputy Governor of the Bank of Canada, explained that Canada preferred broadly based institutions like the World Bank or the GATT. Canadian policy in the OEEC, he quipped, might be summed up thus:

Les documents reproduits ici donnent un exemple rare qui illustre l'interaction entre les députés de la région, les ministres du Cabinet et les fonctionnaires fédéraux dans la définition de la politique.

Dans ce volume, le principal dossier relatif aux ressources continentales est incontestablement l'instauration par le gouvernement de la nouvelle politique d'aménagement des rivières traversant la frontière entre le Canada et les États-Unis. En février 1956, après des années de discussion stérile au sein de la Commission mixte internationale sur l'avenir du bassin du Columbia, le ministre du Nord et des Ressources nationales, Jean Lesage, a proposé de négocier directement avec Washington aux niveaux politique et diplomatique. Il espérait que ces pourparlers permettraient de définir de nouveaux principes pour partager les avantages d'amont et d'aval qui découleraient de la mise en valeur de toutes les rivières traversant la frontière internationale. À la joie manifeste d'Ottawa, le président des États-Unis, Dwight Eisenhower, a accepté la proposition que M. Saint-Laurent lui avait faite lors de sa visite à White Sulphur Springs, en mars 1956. Les pourparlers proprement dits ont démarré lentement, et la plupart des documents reproduits ici décrivent les efforts en vue de définir la portée des négociations et de convenir d'une position commune avec le premier ministre batailleur de la Colombie-Britannique, W.A.C. Bennett.

Les questions économiques ont également joué un rôle prépondérant dans les relations entre le Canada et l'Europe occidentale, où la création du Marché commun et les propositions de la Grande-Bretagne en vue d'établir une Zone européenne de libre-échange posaient un formidable défi. M. Pearson, fortement influencé par les opinions du ministre des Affaires étrangères de la Belgique, Paul-Henri Spaak, a souligné les avantages politiques que présentait l'intégration accrue des pays européens pour l'alliance occidentale, tout en faisant peu de cas des coûts qu'elle entraînerait pour l'économie du Canada. Le ministre des Finances, Walter Harris, et son allié, le ministre du Commerce, C.D. Howe, ont adopté une position plus intransigeante, et n'étaient pas prêts à accueillir le Marché commun ou la Zone européenne de libre-échange. M. Pearson a toutefois fait peser son poids de premier ministre contre ces deux adversaires redoutables et, en définitive, le Canada n'était pas opposé à l'évolution de la situation en Europe.

Ce manque d'enthousiasme a également marqué la démarche du Canada à l'égard d'autres institutions européennes. Au sein de l'Organisation pour la coopération économique européenne (OEEC), le Canada est demeuré un participant réservé et peu disposé à s'engager dans le programme de libéralisation du commerce mis sur pied par l'organisation. Louis Rasminsky, sous-gouverneur de la Banque du Canada, a précisé que le Canada préférait les institutions de grande envergure comme la Banque mondiale ou le GATT. Il a déclaré d'un ton sarcastique que la politique canadienne au sein de l'OEEC pouvait donc se résumer comme suit :

> Tu ne tueras point, mais tu n'auras pas besoin d'essayer officieusement de rester en vie. [Document 406]

Le Canada adoptait une attitude plus hostile à l'égard de l'Intergovernmental Conference on European Migration (ICEM), qui contribuait à organiser l'afflux d'immigrants en provenance de l'Europe de l'Ouest vers le Canada, l'Australie et l'Amérique du Sud. Malgré le solide appui dont l'ICEM jouissait parmi les alliés du Canada en Europe de l'Ouest, le ministère de la Citoyenneté et de l'Immigration tenait à détruire cette organisation qui, de l'avis de certains responsables de l'Immigration,

Thou shalt not kill, but needst not strive
Officiously to keep alive. [Document 406]

Canada's attitude to the Intergovernmental Conference on European Migration (ICEM), which helped organize the orderly flow of migrants from Western Europe to Canada, Australia and South America, was more malevolent. Despite the ICEM's strong support among Canada's allies in Western Europe, the Department of Citizenship and Immigration was anxious to destroy the organization, which some Immigration officials thought favoured Australia. External Affairs was hopeful that its European representatives could marshal enough evidence to change Canadian policy, provided they used their "ingenuity, circumspection and some finesse." [Document 406]

In the Far East, Canada remained deeply involved in overseeing the uncertain peace in Indochina. Despite their imperfections, and there were many, Pearson concluded in early 1956 that the three International Commissions for Supervision and Control (ICSC) in Vietnam, Laos and Cambodia remained the principal bulwarks "against a blowup in Indochina of the kind that could suddenly produce a major war." [Document 613] As France prepared to complete its withdrawal from Vietnam, Canada resolved to remain on the ICSC, convince Saigon to assume responsibility for the cease-fire arrangements, and reassure the sceptical Indians that the Commission would continue to function.

With Canadian support, the Commission weathered the succession crisis during the spring of 1956, before resuming its work investigating cease-fire violations by North and South Vietnam. Increasingly frustrated by Hanoi's ability to manipulate the ICSC, Canada sought more and more to restore a balance to the Commission's activities. It worked closely with South Vietnamese authorities to limit Saigon's exposure to Commission investigations into their infringement of "democratic freedoms." The Canadian Commissioner in Vietnam, Bruce Williams, eventually campaigned for the elimination of Commission outposts in North Vietnam in order to "dispel the illusion that arms control was effective." [Document 677]

Though the Commissions worked much better in Cambodia and Laos, Ottawa still found peace-keeping dangerous and burdensome. India vigorously opposed repeated Canadian efforts to wind up the Commission in Cambodia, where it had long since finished its work. As a result, relations with New Delhi and its mercurial diplomatic gadfly, Krishna Menon, suffered. In Laos, Ottawa welcomed efforts by Communist and non-Communist factions to resolve their differences through negotiations, but was disturbed to discover that Washington did not. "[B]y obstructing the desire for reunification of their country which we think is almost unanimously held by Laotians," Léger observed presciently, "we might eventually tend to drive them from the pro-Western into a strictly neutral or even anti-Western position." [Document 734]

Tired and easily irritated by the burdens of government, Prime Minister Louis St. Laurent played a diminished role in the elaboration of foreign policy during the period covered in this volume. Nevertheless, he was actively involved in several important economic questions. He used his warm relationship with Eisenhower on several occasions to seek White House support for Canadian industries harmed by American subsidies and trade restrictions. He also played an important role in defining Canada's attitude toward the European Common Market.

favorisait l'Australie. Le ministère des Affaires extérieures espérait que ses représentants en Europe pourraient recueillir assez de preuves pour modifier la politique canadienne, à condition de faire preuve d'« ingéniosité, de circonspection et d'une certaine finesse ». [Document 406]

En Extrême-Orient, le Canada demeurait profondément engagé dans la surveillance d'un processus de paix aléatoire en Indochine. Au début de 1956, M. Pearson a conclu que les trois Commissions internationales pour la surveillance et le contrôle au Vietnam, au Laos et au Cambodge (CISC) restaient, malgré leurs nombreuses imperfections, les principaux remparts « contre une explosion en Indochine qui risquerait de déclencher soudainement une guerre majeure ». [Document 613] Alors que la France se préparait à terminer le retrait de ses forces du Vietnam, le Canada a décidé de rester membre de la CISC au Vietnam pour convaincre Saïgon d'assumer la responsabilité des accords de cessez-le-feu et rassurer l'Inde, qui en doutait, que la Commission continuerait de fonctionner.

Avec l'aide du Canada, la Commission a survécu à la crise de succession survenue au printemps 1956, avant de reprendre son travail qui consistait à enquêter sur les violations du cessez-le-feu par les Nord-Vietnamiens et les Sud-Vietnamiens. De plus en plus frustré par l'aptitude de Hanoï à manipuler la CISC, le Canada s'est efforcé toujours davantage de rétablir un équilibre dans les activités de la Commission. Il a travaillé en étroite collaboration avec les autorités sud-vietnamiennes afin que les informations divulguées à Saïgon se bornent aux enquêtes de la Commission relatives aux violations des « libertés démocratiques » commises par le gouvernement de Saïgon. Le délégué canadien au Vietnam, Bruce Williams, a ensuite fait campagne pour l'élimination des postes isolés de la Commission au Nord-Vietnam afin de « dissiper l'illusion que le contrôle des armements était efficace ». [Document 677]

Bien que les Commissions aient beaucoup mieux fonctionné au Cambodge et au Laos, Ottawa estimait encore que les opérations de maintien de la paix étaient dangereuses et onéreuses. L'Inde s'est opposée vigoureusement aux efforts répétés du Canada en vue de faire cesser les activités de la Commission au Cambodge, où elle avait terminé son travail depuis longtemps. Les relations avec New Delhi et son diplomate Krishna Menon, d'humeur changeante mais toujours prêt à critiquer, ont souffert de ces tensions. Au Laos, Ottawa a accueilli favorablement les efforts déployés par les factions communistes et non communistes afin de régler leurs différends par la voie de négociations, mais il a été troublé d'apprendre que Washington n'avait eu la même réaction. M. Léger a observé avec prescience : « En faisant obstacle au désir de réunification de leur pays qui, à notre avis, anime presque tous les Laotiens, nous pourrions ultérieurement les détourner de leur position favorable à l'Occident et les inciter à adopter une position strictement neutre, voire opposée à l'Occident. » [Document 734]

Fatigué et vite irrité par les charges administratives, le Premier ministre Louis Saint-Laurent a joué un rôle moins important dans l'élaboration de la politique étrangère pendant la période étudiée dans ce volume. Néanmoins, il a participé à l'examen de plusieurs dossiers économiques importants. À plusieurs reprises, il s'est servi de ses relations cordiales avec le président Eisenhower pour demander à la Maison-Blanche d'aider des industries canadiennes frappées par les restrictions commerciales et les subventions américaines. En outre, il a fortement contribué à définir la position du Canada à l'égard du Marché commun européen.

Pearson remained the most important member of the government's foreign policy team. In his absence, Paul Martin, the Minister of National Health and Welfare, continued to represent him in Cabinet and abroad. In the fall of 1956, Martin toured South Asia and Indochina, an experience that affected him deeply and long influenced his view of Asian Communism. [Document 673] Other ministers with notable foreign policy responsibilities included Ralph Campney, the Minister of National Defence, C.D. Howe, the powerful Minister of Trade and Commerce, and Walter Harris, the Minister of Finance, and a leading contender in the undeclared race to succeed St. Laurent.

During his final 18 months as Secretary of State for External Affairs, Pearson was able to draw on the advice of the experienced group of senior officials with whom he had worked closely for years. Jules Léger stayed on as Under-Secretary of State for External Affairs, assisted by his deputy, R.M. Macdonnell. There were, however, important changes at the assistant under-secretarial level. In late 1955, W.D. Matthews, the Minister to Sweden and Finland, was promoted to Assistant Under-Secretary. In June 1956, John Watkins returned from his post as Ambassador to the Soviet Union and was appointed Assistant Under-Secretary to replace Jean Chapdelaine, who took over from Matthews as Minister to Sweden and Finland. In December 1956, Marcel Cadieux became Assistant Under-Secretary and Legal Advisor in place of Max Wershof, who went to Geneva as Permanent Representative to the European Office of the United Nations. And finally, in April 1957, Douglas LePan, who had finished his work as Secretary to the Royal Commission on Canada's Economic Prospects, was promoted to Assistant Under-Secretary. John Holmes alone remained an Assistant Under-Secretary throughout the period covered in this volume.

There was no change in representation at Canada's major posts abroad until late in the spring of 1957. Dana Wilgress remained Permanent Representative to the North Atlantic Council and Representative to the Organization for European Economic Co-operation. Norman A. Robertson stayed in London as High Commissioner to the United Kingdom until May 1957, when he replaced Arnold Heeney in Washington as Ambassador to the United States. Heeney returned to Ottawa as Chairman of the Civil Service Commission. Georges Vanier continued as Ambassador to France.

Like other recent volumes in this series, Volume 23 is based primarily on the records of the Department of External Affairs and the Privy Council Office. These were supplemented where necessary by the private papers of Cabinet ministers and senior officials, and the files of the Departments of National Defence, Finance, Citizenship and Immigration, and Trade and Commerce. In preparing this volume, I was given complete access to the files of the Department of External Affairs and generous access to other collections. A complete list of the archival sources consulted in the preparation of this volume may be found on page xxvii.

The selection of documents is guided by the general principles outlined in the Introduction to Volume 7 (pp. ix-xi), as amended in the Introduction to Volume 20 (p. xxiii). In short, the series tries to provide a "self-contained record of the major foreign policy decisions taken by the Government of Canada," by concentrating on Canada's most important bilateral and multilateral relationships and on the major international issues that directly involved Cabinet members in substantive policy decisions.

M. Pearson est demeuré le principal membre de l'équipe gouvernementale chargée de formuler la politique étrangère. En son absence, le ministre de la Santé nationale et du Bien-être social, Paul Martin, continuait de le représenter au sein du Cabinet et à l'étranger. Au cours de l'automne 1956, M. Martin, a effectué une visite en Asie du Sud et en Indochine. Ce voyage l'a profondément marqué et a longtemps influencé son opinion sur le communisme asiatique. [Document 673] Parmi les autres ministres dotés d'importantes responsabilités en matière de politique étrangère figuraient Ralph Campney, le ministre de la Défense nationale, C.D. Howe, le puissant ministre du Commerce, ainsi que Walter Harris, ministre des Finances et principal candidat dans la course non officielle pour la succession de M. Saint-Laurent.

Au cours des dix-huit derniers mois de son mandat de secrétaire d'État aux Affaires extérieures, M. Pearson a pu tirer parti des conseils du groupe de hauts fonctionnaires expérimentés avec lesquels il travaillait en étroite collaboration depuis des années. Jules Léger continuait d'exercer les fonctions de sous-secrétaire d'État aux Affaires extérieures, avec l'aide de son adjoint, R.M. Macdonnell. Il y a eu toutefois des changements importants au niveau des sous-secrétaires adjoints. À la fin de 1955, W.D. Matthews, ministre auprès de la Suède et de la Finlande, a été promu sous-secrétaire adjoint. En juin 1956, John Watkins est rentré de son affectation comme ambassadeur en Union soviétique et a été nommé sous-secrétaire adjoint en remplacement de Jean Chapdelaine qui a succédé à Matthews comme ministre auprès de la Suède et de la Finlande. En décembre 1956, Marcel Cadieux est devenu sous-secrétaire adjoint et jurisconsulte à la place de Max Wershof qui est devenu représentant permanent à Genève auprès de l'Office européen des Nations Unies. Et finalement, en avril 1957, Douglas LePan qui avait terminé son travail de secrétaire auprès de la Commission royale d'enquête sur les perspectives économiques du Canada a été promu au poste de sous-secrétaire adjoint. Seul John Holmes est demeuré sous-secrétaire adjoint pendant toute la période couverte par le présent volume.

Jusqu'à la fin du printemps 1957, il n'y a eu aucun changement dans la représentation du Canada dans les principales missions à l'étranger. Dana Wilgress demeurait aux postes de représentante permanente du Canada auprès du Conseil de l'Atlantique Nord et de représentante auprès de l'Organisation pour la coopération économique européenne. Norman A. Robertson était resté à Londres en qualité de Haut-commissaire du Canada en Grande-Bretagne jusqu'en mai 1957, lorsqu'il avait remplacé Arnold Heeney au poste d'ambassadeur à Washington. M. Heeney est retourné à Ottawa pour devenir président de la Commission de la Fonction publique. Georges Vanier est demeuré à son poste d'Ambassadeur du Canada en France.

Comme les autres volumes de cette série publiés récemment, le volume 23 repose surtout sur les dossiers du ministère des Affaires étrangères et du Bureau du Conseil privé. Au besoin, ils ont été étoffés par des documents privés appartenant à des ministres du Cabinet et à des hauts fonctionnaires, ainsi que par des dossiers des ministères de la Défense nationale, des Finances, de la Citoyenneté et de l'Immigration, et du Commerce. Pour préparer ce volume, j'ai pu avoir complètement accès aux dossiers du ministère des Affaires étrangères et largement accès à d'autres collections. Une liste complète des archives consultées pour la préparation de ce volume est présentée à la page xxvii.

Les documents sont choisis conformément aux principes généraux définis dans l'Introduction au volume 7 (pp. ix-xi), tels que modifiés dans l'Introduction au volume

The editorial devices used in this volume remain those described in the Introduction to Volume 9 (p. xix). A dagger (+) indicates a Canadian document that has not been printed. Editorial excisions are shown by an ellipse (...). The phrase "group corrupt" indicates decryption problems in the transmission of the original telegram. Words and passages that were struck out by the author, marginal notes and distribution lists are reproduced as footnotes only when important. Unless otherwise indicated, it is assumed that documents have been read by the addressee. Proper and place names are standardized. The editor has silently corrected spelling, punctuation and capitalization, as well as transcription errors whose meaning is clear from their context. All other editorial additions to the documents are indicated by the use of square brackets. Documents are reprinted in either English or French, depending on their language of origin.

The preparation of this volume was a collective effort. The Historical Section continues to depend on the expertise of the National Archives of Canada for help in locating relevant records. Paulette Dozois, David Smith and Robert McIntosh of the Government Archives Division responded quickly and cheerfully to requests for help. Maureen Hoogenraad of the Manuscript Division was equally helpful. Ciuineas Boyle, Access to Information Co-ordinator at the Privy Council Office, and her colleague, Herb Barrett, facilitated access to Cabinet records for the period. Corrinne Miller, archivist at the Bank of Canada, was indispensable in dealing with that collection.

Michael Rasminsky and Andrew Coyne kindly granted permission to reprint material from their fathers' collections. My overseas colleagues, Heather Yasamee and Keith Hamilton of the Records and Historical Services, Foreign and Commonwealth Office, helped arrange for the declassification of several important British documents. William Burr of the National Security Archive, Washington, D.C., was also helpful in this regard. Mark Hayes of the Naval Historical Center in Washington, Marijke van Faassen of the Institute of Netherlands History, David S. Patterson of the Office of the Historian, United States Department of State, and Kunihiro Haraguchi of the Diplomatic Record Office, Ministry of Foreign Affairs of Japan, identified some of the individuals in the List of Persons.

Ted Kelly helped research parts of this volume and guided it through production with diligence. Christopher Cook, whose knowledge of the archival collections reflected in this volume is unrivalled, remained my main research assistant. He was ably assisted at times by Joseph McHattie, Nelson Joannette, and Tina McLauchlan. Michael Stevenson also contributed research for several sections in this volume and compiled the index. As always, it was a pleasure to work with this team of fine historians.

Don Barry, Hector Mackenzie and Norman Hillmer, former editors of this series, offered advice and encouragement. My colleague, Mary Halloran, provided good-humoured support. The general editor of this series, John Hilliker, carefully reviewed the whole manuscript, and played a major role in helping to define the scope of this volume as well as its predecessor. The series would not be possible without the support of the director of the Outreach Programs and e-Communications Division, Roger Bélanger, and his predecessor, Gaston Barban. I remain solely responsible for the final selection of documents in this volume.

20 (p. xxiii). En bref, la série essaie de présenter un « dossier complet et autonome des principales décisions de politique étrangère prises par le gouvernement du Canada », en se concentrant sur les relations bilatérales et multilatérales essentielles pour le Canada ainsi que sur les grandes questions internationales qui ont engagé directement des membres du Cabinet dans la prise de décisions stratégiques importantes.

Les formules de rédaction utilisées dans ce volume sont les mêmes que celles qui sont décrites dans l'Introduction au volume 9 (p. xix). Une croix (+) désigne un document canadien inédit. Les modifications rédactionnelles sont indiquées par une ellipse (...). L'expression « group corrupt » signale des problèmes de déchiffrement dans la transmission du télégramme original. Les mots et les passages biffés par l'auteur, les notes marginales et les listes de distribution ne sont reproduits sous forme de renvois en bas de page que lorsqu'ils sont importants. Sauf indication contraire, on suppose que les documents ont été lus par leur destinataire. Les noms propres et géographiques ont été normalisés. L'éditeur a corrigé sans se plaindre l'orthographe, la ponctuation et la mise en majuscules, ainsi que les erreurs de transcription dont il est facile de saisir le sens grâce au contexte. Tous les autres ajouts rédactionnels apportés aux documents sont indiqués par des crochets. Les documents sont reproduits en français ou en anglais selon la langue utilisée dans l'original.

La préparation de ce volume est le fruit d'efforts concertés. La Section historique reste tributaire de l'aide que lui fournissent les experts des Archives nationales du Canada pour rechercher les documents pertinents. Paulette Dozois, David Smith et Robert McIntosh de la Division des archives gouvernementales ont répondu rapidement et avec entrain aux demandes d'aide. Maureen Hoogenraad, de la Division des manuscrits, nous a également prêté main-forte. Ciuineas Boyle, coordonnatrice de l'accès à l'information au Bureau du Conseil privé, ainsi que son collègue, Herb Barrett, nous ont facilité l'accès aux dossiers du Cabinet portant sur la période visée. En outre, l'aide de Corrinne Miller, archiviste à la Banque du Canada, a été indispensable pour dépouiller cette collection.

Michael Rasminsky et Andrew Coyne ont eu la bonté de nous autoriser à reproduire des documents en provenance des collections de leur père. Mes collègues travaillant à l'étranger, Heather Yasamee et Keith Hamilton (Records and Historical Services, Foreign and Commonwealth Office), ont contribué au travail de déclassification de plusieurs documents britanniques importants. William Burr de National Security Archive, à Washington D.C., nous a également aidés à nous acquitter de cette tâche. Mark Hayes du Naval Historical Center, à Washington, Marijke van Faassen de l'Institute of Netherlands History, David S. Patterson de l'Office of the Historian, au Département d'État des É.-U., et Kunihiro Haraguchi des Archives diplomatiques, au ministère des Affaires étrangères du Japon, nous ont fournis des renseignements utilisés dans la Liste des personnes.

Ted Kelly a contribué au travail de recherche pour ce volume et il l'a dirigé en produisant assidûment des résultats. Christopher Cook, doté d'une connaissance insurpassable des collections d'archives, qui transparaît d'ailleurs dans ce volume, est demeuré mon principal assistant à la recherche. Parfois, il a été secondé avec compétence par Joseph McHattie, Nelson Joannette et Tina McLauchlan. Michael Stevenson a également participé aux recherches pour plusieurs chapitres de ce volume, et il a dressé l'index. Comme toujours, il a été agréable de travailler avec cette équipe d'excellents historiens.

The Historical Section provided the supplementary text and coordinated the technical preparation of the volume. The manuscript was typed and formatted by Aline Gélineau. The Translation Bureau supplied the French for most of the footnotes, the captions and ancillary texts. My colleague in the Communications Services Division, Francine Fournier, generously shared her knowledge of the finer points of French grammar; Martha Bowers graciously helped with the English. Gail Kirkpatrick Devlin proofread the entire manuscript and helped compose the List of Persons.

My wife, Mary, and my children, Katherine, Michael and Stephen continued to support me through this project in countless and delightful ways. I thank them.

GREG DONAGHY

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La Section historique a produit les annexes et coordonné la préparation technique du volume. Aline Gélineau a tapé et formaté le manuscrit. Le Bureau de la traduction a fourni la version française de la plupart des renvois en bas de page, des légendes et des annexes. Ma collègue de la Direction des services des communications, Francine Fournier, m'a offert généreusement de partager sa connaissance des subtilités de la grammaire française. Martha Bowers a accepté de bonne grâce de m'aider pour le texte anglais. Gail Kirkpatrick Devlin a effectué la correction d'épreuves de l'ensemble du manuscrit et a aidé à dresser la Liste des personnalités.

Enfin, je remercie mon épouse, Mary, et mes enfants, Katherine, Michael et Stephen, qui m'ont sans cesse appuyé, de multiples façons et avec joie, tout au long de ce travail.

GREG DONAGHY

PROVENANCE DES DOCUMENTS[1]
LOCATION OF DOCUMENTS[1]

Archives de la Banque du Canada	B. of C.	Bank of Canada Archives
Documents de C.D. Howe, Archives nationales (MG 27 III B20)	C.D.H.	C.D. Howe Papers, National Archives (MG 27 III B20)
Dossiers du ministère de la Citoyenneté et de l'Immigration Archives nationales (RG 26)	DCI	Department of Citizenship and Immigration Files, National Archives (RG 26)
Dossiers de l'ambassade du Canada à Washington, Archives nationales (RG 25 B2)	C.E.W.	Canadian Embassy, Washington Files, National Archives (RG 25 B2)
Dossiers du ministère des Finances, Archives nationales (RG 19)	DF	Department of Finance Files, National Archives (RG 19)
Dossiers du ministère des Affaires extérieures, Archives nationales	DEA	Department of External Affairs Files, National Archives
Dossiers du ministère des Finances, Archives nationales (RG 19)	DF	Department of Finance Files, National Archives (RG 19)
Dossiers du ministère de la Défense nationale Archives nationales (RG 24)	DND	Department of National Defence Files, National Archives (RG 24)
Dossiers du ministère du Commerce, Archives nationales (RG 20)	DTC	Department of Trade and Commerce Files, National Archives (RG 20)
Documents de Escott Reid, Archives nationales (MG 31)	E.R.	Escott Reid Papers, National Archives (MG 31)
Documents de L.B. Pearson, Archives nationales (MG 26 N1)	L.B.P.	L.B. Pearson Papers, National Archives (MG 26 N1)
Documents de Louis Rasminsky, Archives de la Banque du Canada	L.R.	Louis Rasminsky Papers, Bank of Canada Archives
Documents de L.S. Saint-Laurent, Archives nationales (MG 26 L)	L.S.L.	L.S. St. Laurent Papers, National Archives (MG 26 L)
Bureau du Conseil privé—conclusions du Cabinet et documents du Cabinet	PCO	Privy Council Office—Cabinet Conclusions and Cabinet Documents
Autres documents des archives du BCP	PCO/Vol.#	Other documents from PCO records
Documents de Walter E. Harris, Archives nationales (MG 32 B50)	W.E.H.	Walter E. Harris Papers, National Archives (MG 32 B50)

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[1] Ceci est une liste des symboles utilisés pour indiquer la provenance des documents. Les cotes des collections déposées aux Archives nationales du Canada sont entre parenthèses.
This is a list of the symbols used to indicate the location of documents. The call numbers of collections deposited at the National Archives of Canada are in parentheses.

LISTE DES ABBRÉVIATIONS
LIST OF ABBREVIATIONS

ABC	Air Bridge to Canada
A/C	Air Commodore
ADC	Air Defense Command (US)
AEC	Atomic Energy Commission (US)
AECB	Atomic Energy Control Board
AECL	Atomic Energy of Canada Limited
AEW&C	Airborne Early Warning and Control
AFHQ	Air Force Headquarters (US)
AFP	Agence France-Presse
AMTORG	*Amerikanskaya torgovaya* [Amtorg Trading Corporation] USSR
AP	Associated Press
AVM	Air Vice-Marshal
BBC	British Broadcasting Corporation
BCP	Bureau du Conseil privé
BIS	Bank for International Settlements
BNA	British North America
BOAC	British Overseas Airways Corporation
BOMARC	Boeing-Michigan Aeronautical Centre
CAE	Canadian Aviation Electronics
CANAC	Permanent Delegation of Canada to the North Atlantic Council
CANDEL	Canadian Delegation to the General Assembly of United Nations
CAS	Chief of Air Staff
CB	Communications Branch, National Research Council
CBC(-IS)	Canadian Broadcasting Corporation(-International Service)
CCC	Commodity Credit Corporation (US)
CCF	Cooperative Commonwealth Federation
CCOS	Chairman, Chiefs of Staff
CDC	Cabinet Defence Committee
CDU	*Christlich-Demokratische Union* [Christian Democratic Union] (West Germany)
CFA	Cease Fire Agreement
CFS	cubic feet per second
CHINCOM	China Committee of the Paris Consultative Committee
CIA	Central Intelligence Agency (US)
CINADCUS	Commander-in-Chief, Air Defence, Canada-United States
CINCONAD	Commander-in-Chief, Continental Air Defence Command
CIR	Canada-India Reactor
CISC	Commission internationale de surveillance et de contrôle
CJS	Canadian Joint Staff
CM	Common Market
COCOM	Coordinating Committee on Export Controls
COTC	Canadian Overseas Telecommunications Corporation
CP	Canadian Press
CP	Contracting Party (GATT)
CPDUN	Canadian Permanent Delegation to United Nations
CPSU	Communist Party of the Soviet Union
CRO	Commonwealth Relations Office (UK)
CT	cent
DCI	Department of Citizenship and Immigration
DEA	Department of External Affairs
DEM	Democrat
DEW	Distant Early Warning
DL	Defence Liaison Division
DND	Department of National Defence
DOT	Department of Transport
DRB	Defence Research Board
DRVN	Democratic Republic of Vietnam
EAO	External Affairs Officer

EDC	European Defence Community
EPI	Electronic Position Indicator
EPU	European Payments Union
EURATOM	European Atomic Energy Community
EX-IM	Export-Import
FAO	Food and Agriculture Organization
FBI	Federal Bureau of Investigation (US)
FBIS	Foreign Broadcast Information Service (US)
FDP	*Freisinnig-Demokratische Partei* [Free Democratic Party] (West Germany)
FEC	French Expeditionary Corps
FLM	French Liaison Mission
FMI	Fonds Monétaire International
FO	Foreign Office (UK)
FPC	Federal Power Commission (US)
FSO	Foreign Service Officer
FTA	Free Trade Area
FUPL	Fighting Units of the Pathet Lao
GATT	General Agreement on Tariffs and Trade
H-BOMB	Hydrogen Bomb
HEPCO	Hydro Electric Power Commission of Ontario
HR	House of Representatives (US)
IAC	Intelligence Advisory Committee (US)
IBRD	International Bank for Reconstruction and Development
ICBM	Intercontinental Ballistic Missile
ICEM	Intergovernmental Committee for European Migration
ICETP	Interdepartmental Committee on External Trade Policy
ICRC	International Committee of the Red Cross
ICSC	International Commission for Supervision and Control
IJC	International Joint Commission
ILO	International Labour Office
IMF	International Monetary Fund
INS	International News Service
IRO	International Refugee Organization
IWA	International Wheat Agreement
JIB	Joint Intelligence Bureau
JIC	Joint Intelligence Committee
KGB	*Komitet Gosudarstvennoi Bezopasnosti* (Committee of State Security — USSR)
KLM	Royal Dutch Airlines
KPA/CPV	Korean People's Army/Chinese People's Volunteers
KW	kilowatt
LCM	Landing Craft, Mechanized
LCT	Landing Craft, Tanks
LNA	Laotian National Army
LORAC	Long Range Accuracy (radar)
LORAN	Long Range Aid to Naviation
MAA	Military Assistance Agreement (US)
MAAG	Military Assistance Advisory Group (US)
MAC	Military Armistice Commission
MAE	Ministère des Affaires extérieures
MDAP	Mutual Defence Assistance Program (US)
MFN	Most Favoured Nation
MGB	*Ministerstvo Gosudarstvennoi Bezopasnosti* [Ministry of State Security] (USSR)
M.P.	Member of Parliament
MT	Mobile Team
MTCA	Ministry of Transport and Civil Aviation (UK)
MVD	*Ministerstvo Vnutrennykh Del* [Ministry of Internal Affairs] (USSR)

NATO	North Atlantic Treaty Organization
NCO	Non-Commissioned Officer
NFB	National Film Board
NFPA	Niagara Frontier Port Authority
NNSC	Neutral Nations Supervisory Commission
NPD	Nuclear Power Demonstration
NSA	National Security Agency
NZ	New Zealand
ODM	Office of Defense Mobilization (US)
OECE	Organisation européenne de coopération économique
OEEC	Organization for European Economic Cooperation
OMC	Office of Munitions Control (US)
OTAN	Organisation du traité de l'Atlantique Nord
PASNY	Power Authority of the State of New York
PAVN	People's Army of Vietnam
P.C.	Progressive Conservative
PC(O)	Privy Council (Office)
PERMDEL	Permanent Delegation of Canada to the United Nations, New York
PJBD	Permanent Joint Board on Defence
PKO	*Powszechna Kasa Oszczęedności* [National Savings Bank] (Poland)
PL	Pathet Lao
PL	Public Law (US)
PM	Prime Minister
PPR	*Polska Partia Robotnicza* [Polish Workers' Party]
QC	Queen's Counsel
QR	Quantitative Restrictions
RAF	Royal Air Force (UK)
RCAF	Royal Canadian Air Force
RCMP	Royal Canadian Mounted Police
RCN	Royal Canadian Navy
REP	Republican
RLG	Royal Laotian Government
ROK	Republic of Korea
RSFSR	Russian Soviet Federated Socialist Republic
S	Senate (US)
SAC	Strategic Air Command (US)
SACEUR	Supreme Allied Commander, Europe (NATO)
SACLANT	Supreme Allied Commander, Atlantic (NATO)
SAGE	Semi-Automatic Ground Environment
SAS	Scandinavian Airlines
SEATO	South East Asia Treaty Organization
SG	Standing Group (NATO)
SLSA	St. Lawrence Seaway Authority
SLSDC	St. Lawrence Seaway Development Corporation (US)
SMA	Senior Military Advisor
SOP	Standard Operating Procedures
SPD	*Sozialdemokratische Partei Deutschlands* [Social Democratic Party of Germany] (West Germany)
SUNFED	Special United Nations Fund for Economic Development
SVLM	South Vietnam Liaison Mission
SVN	South Vietnam
TCA	Trans-Canada Airlines
TERM	Temporary Equipment Recovery Mission
UK	United Kingdom
UKAEA	United Kingdom Atomic Energy Authority
UN	United Nations
UNC	United Nations Command
UNEF	United Nations Emergency Force

UNESCO	UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION
UNHCR	UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES
UNRRA	UNITED NATIONS RELIEF AND REHABILITATION ADMINISTRATION
UP	UNIVERSAL PRESS
USA	UNITED STATES OF AMERICA
USAF	UNITED STATES AIR FORCE
USIS	UNITED STATES INFORMATION SERVICE
USN	UNITED STATES NAVY
USS	UNITED STATES SHIP
USSEA	UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS
USSR	UNION OF SOVIET SOCIALIST REPUBLICS
WEU	WESTERN EUROPEAN UNION

LISTE DES PERSONNALITÉS[1]
LIST OF PERSONS[1]

ABDULGANI, Ruslan, ministre des Affaires étrangères de l'Indonésie.	ABDULGANI, Ruslan, Foreign Minister of Indonesia.
ADAMS, gouverneur Sherman, adjoint exécutif du président des États-Unis.	ADAMS, Governor Sherman, Executive Assistant to President of United States.
ADENAUER, Konrad, chancelier de la République fédérale d'Allemagne.	ADENAUER, Konrad, Chancellor of Federal Republic of Germany.
ALLEN, George, secrétaire d'État adjoint, Bureau des Affaires du Proche-Orient, de l'Asie du Sud et de l'Afrique, département d'État des États-Unis.	ALLEN, George, Assistant Secretary of State, Bureau of Near Eastern, South Asian and African Affairs, Department of State of United States.
AMORY, Robert, Jr., directeur suppléant - renseignement, Central Intelligence Agency des États-Unis.	AMORY, Robert, Jr., Deputy Director for Intelligence, Central Intelligence Agency of United States.
ARMAND, Louis, directeur général, Société nationale des chemins de fer français (SNCF) et président, Comité de l'équipement industriel, Commissariat à l'énergie atomique (CEA) de France.	ARMAND, Louis, Director General, French National Railways, and President, Industrial Equipment Committee, Atomic Energy Commission of France.
ARMSTRONG, W. Park Jr., adjoint spécial au secrétaire d'État pour le renseignement, département d'État des États-Unis.	ARMSTRONG, W. Park Jr., Special Assistant to Secretary of State for Intelligence, Department of State of United States.
AULT, O.E., directeur de la Planification et du développement, Commission du service civil.	AULT, O.E., Director, Planning and Development, Civil Service Commission.
BAGIROV, Jafar, premier secrétaire, République soviétique socialiste d'Azerbaïdjan (1933-1953).	BAGIROV, Jafar, First Secretary of the Azerbaijan Soviet Socialist Republic (1933-1953).
BALDWIN, J.R., sous-ministre des Transports.	BALDWIN, J.R., Deputy Minister of Transport.
BARABAS, Timor, chef, délégation sur le Commerce de Hongrie (oct. 1956).	BARABAS, Timor, Head, Hungarian Trade Delegation (Oct. 1956).
BARTON, W.H., 1ère Direction de liaison avec la Défense (-nov. 1956); conseiller, légation en Autriche.	BARTON, W.H., Defence Liaison (1) Division (-Nov. 1956); Counsellor, Legation in Austria.
BASDEVANT, Jules, directeur général, Bureau des Affaires de Tunisie et du Maroc, ministère des Affaires étrangères de France.	BASDEVANT, Jules, Director General, Moroccan and Tunisian Affairs, Ministry of Foreign Affairs of France.
BASSETT, E., sous-ministre des Terres et des Forêts de la Colombie-Britannique.	BASSETT, E., Deputy Minister of Lands and Forests of British Columbia.
BATEMAN, George, membre, Commission de contrôle de l'énergie atomique.	BATEMAN, George, Member, Atomic Energy Control Board.
BAUDOUIN, Marc, conseiller politique au commissaire canadien, CISC, Vietnam.	BAUDOUIN, Marc, Political Advisor to Canadian Commissioner, ICSC, Vietnam.

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[1] Ceci est une sélection des principales personnalités canadiennes et de certaines personnalités de l'étranger souvent mentionnées dans les documents. Les notices biographiques se limitent aux fonctions qui se rapportent aux documents reproduits dans ce volume.
This is a selection of important Canadian personalities and some foreign personalities often mentioned in the documents. The biographical details refer only to the positions pertinent to the documents printed herein.

BAUER, Gérard Francis, représentant de Suisse auprès la haute commission de la Communauté européenne du charbon et de l'acier; président du Comité exécutif de l'OECE.	BAUER, Gérard Francis, Swiss Representative to High Authority of European Coal and Steel Community; President of Executive Committee of OEEC.
BAUER, William, conseiller politique au commissaire canadien, CISC, Vietnam (-juin 1957).	BAUER, William, Political Adviser to Canadian Commissioner, ICSC, Vietnam (-June 1957).
BAUMGARTNER, Wilfrid, gouverneur de la Banque de France.	BAUMGARTNER, Wilfrid, Governor, Bank of France.
BEAULIEU, Paul, conseiller, haut-commissariat au Royaume-Uni.	BEAULIEU, Paul, Counsellor, High Commission in United Kingdom.
BECH, Joseph, premier ministre du Luxembourg.	BECH, Joseph, Prime Minister of Luxembourg.
BEIRUT, Boleslaw, premier ministre de Pologne (1952-1954).	BEIRUT, Boleslaw, Prime Minister of Poland (1952-1954).
BEN GURION, David, premier ministre et ministre de la Défense de l'Israël.	BEN GURION, David, Prime Minister and Minister of Defence of Israel.
BENEDICKSON, Wm., député (Lib.-Kenora-Rainy River), adjoint parliamentaire au ministre des Finances.	BENIDICKSON, W., M.P. (Lib.-Kenora-Rainy River), Parliamentary Assistant to Minister of Finance.
BENNETT, W.C., premier ministre de la Colombie-Britannique.	BENNETT, W.A.C., Premier of British Columbia.
BENNETT, W.J., président, Énergie atomique du Canada Ltée., et président et gérant, Eldorado Mining and Refining Ltée.	BENNETT, W.J., President, Atomic Energy of Canada Ltd., and President and Managing Director, Eldorado Mining and Refining Ltd.
BENSON, Ezra Taft, secrétaire à l'Agriculture des États-Unis.	BENSON, Ezra Taft, Secretary of Agriculture of United States.
BERIA, L.P., ministre de l'Intérieur de l'Union soviètique (1938-1953).	BERIA, L.P., Minister of Internal Affairs of Soviet Union (1938-1953).
BERLIS, Norman, conseiller, ambassade en Italie.	BERLIS, Norman, Counsellor, Embassy in Italy.
BERNSTEIN, E.M., directeur, Département de la recherche et des statistiques, FMI.	BERNSTEIN, E.M., Director, Research and Statistics Department, IMF.
BERRY, A.E., directeur, Direction du génie sanitaire, ministère de la Santé de l'Ontario.	BERRY, A.E., Director, Division of Sanitary Engineering, Department of Health of Ontario.
BEYEN, Johan W., ministre des Affaires étrangères des Pays-Bas (conjointement avec Joseph Luns jusqu'en oct. 1956).	BEYEN, Johan W., Minister of Foreign Affairs of the Netherlands (concurrently with Joseph Luns until Oct. 1956).
BISHOP, G. S., sous-secrétaire, ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Royaume-Uni.	BISHOP, G.S., Under-Secretary, Ministry of Agriculture, Fisheries and Food of United Kingdom.
BLACK, Eugene, président de la Banque internationale pour la reconstruction et le développement.	BLACK, Eugene, President, International Bank for Reconstruction and Development.
BLANCKE, Wilton, ambassadeur des Était-Unis au Laos.	BLANCKE, Wilton, Ambassador of United States in Laos.
BONBRIGHT, James C.H., sous-secrétaire d'État adjoint aux Affaires européenes, département d'État des États-Unis (juin 1950-avr. 1954); ambassadeur des États-Unis au Portugal.	BONBRIGHT, James C.H., Deputy Assistant Secretary of State for European Affairs, Department of State of United States (June 1950-Apr. 1954); Ambassador of United States in Portugal.

Bonner, R.W., procureur général de la Colombie-Britannique.	Bonner, R.W., Attorney-General of British Columbia.
Borisov, Sergey Alexeevich, premier sous-ministre du Commerce étrangère de l'Union soviétique.	Borisov, Sergey Alexeevich, First Deputy Minister of Foreign Trade of Soviet Union.
Boulganin, N.A., président, Conseil des ministres de l'Union soviétique.	See Bulganin.
Bourguiba, Habib, premier ministre de Tunisie (avr. 1956-)	Bourguiba, Habib, Prime Minister of Tunisia (Apr. 1956-).
Bragdon, major-général John S., conseiller au président des États-Unis sur les ressources en eau.	Bragdon, Maj.-Gen. John S., Adviser to President of United States on water resources.
Brar, général D.S., commissaire indien par intérim, CISC, Vietnam (déc. 1956-fév. 1957); commissaire (mai 1957-).	Brar, General D.S., Acting Indian Commissioner, ICSC, Vietnam (Dec. 1956-Feb. 1957); Commissioner (May 1957-).
Bretherton, Russell Frederick, sous-secrétaire de la chambre de commerce du Royaume-Uni.	Bretherton, Russell Frederick, Under-Secretary, Board of Trade of United Kingdom.
Brezhnev, L.I., candidat à Praesidium du Soviet Suprême de l'Union soviétique.	Brezhnev, L.I., Candidate member of Praesidium of Supreme Soviet of Soviet Union.
Bridle, Paul, commissaire canadien, CISC, Laos (-oct. 1956); conseiller, délégation permanente auprès du Conseil de l'Atlantique Nord et de l'OECE (déc. 1956-).	Bridle, Paul, Commissioner, ICSC, Laos (-Oct. 1956); Counsellor, Permanent Delegation to North Atlantic Council and OEEC (Dec. 1956-).
Broadbridge, A.F., Direction de l'Amérique.	Broadbridge, A.F., American Division.
Brooking, William, Commission canadienne du blé.	Brooking, William, Canadian Wheat Board.
Brown, Eldon, membre du Comitè exécutif, Eldorado Mining and Refining Ltée.	Brown, Eldon, Member of Executive Committee, Eldorado Mining and Refining Ltd.
Brown, K.C., 1ère Direction de liaison avec la Défense.	Brown, K.C., Defence Liaison (1) Division.
Brucker, William M., secrétaire de l'Armée des États-Unis.	Brucker, William M., Secretary of the Army of United States.
Brunet, J.P.R., attaché, ambassade en France.	Brunet, J.P.R., Attaché, Embassy in Paris.
Bryce, R.B., greffier du Conseil privé et secrétaire du Cabinet.	Bryce, R.B., Clerk of Privy Council and Secretary to Cabinet.
Buffam, B.S.W., géologue-conseil, Eldorado Mining and Refining Ltée.	Buffam, B.S.W., Consulting Geologist, Eldorado Mining and Refining Ltd.
Voir Boulganin.	Bulganin, N.A., Chairman, Council of Ministers of Soviet Union.
Bull, W.F., sous-ministre du Commerce.	Bull, W.F., Deputy Minister of Trade and Commerce.
Burbridge, K.J., ministre-conseiller, délégation permanente auprès du Conseil de l'Atlantique Nord et de l'OECE.	Burbridge, K.J., Minister-Counsellor, Permanent Delegation to North Atlantic Council and OEEC.
Burgess, W. Randolph, sous-secrétaire du Trésor pour les Affaires monétaires, département du Trésor des États-Unis.	Burgess, W. Randolph, Under Secretary of Treasury for Monetary Affairs, Department of Treasury of United States.

BURNS, major-général E.L.M., chef d'état-major, organisme des Nations Unies chargé de la surveillance de la trêve (-nov. 1956); commandant, Force d'urgence des Nations Unies.	BURNS, Maj.-General E.L.M., Chief of Staff, United Nations Truce Supervision Organization (Nov. 1956-); Commander, United Nations Emergency Force.
BURWASH, Dorothy, premier secrétaire, délégation permanente auprès du Conseil de l'Atlantique Nord et de l'OECE.	BURWASH, Dorothy, First Secretary, Permanent Delegation to North Atlantic Council and OEEC.
BUTLER, R.A., Lord Privy Seal et chef de la Chambre des Communes du Royaume-Uni et, du janvier 1957, Home Secretary.	BUTLER, R.A., Lord Privy Seal and Leader of the House of Commons and, from January 1957, Home Secretary of United Kingdom.
BUTZ, Earl, secrétaire adjoint à l'Agriculture des États-Unis.	BUTZ, Earl, Assistant Secretary of Agriculture of United States.
BYRNE, Patricia Mary, agente pour les relations internationales, Bureau des Affaires des Philippines et de l'Asie du Sud-Est, département d'État des États-Unis (-mars 1956); agente responsable des Affaires laotiennes.	BYRNE, Patricia Mary, International Relations Officer, Office of Philippine and Southeast Asian Affairs, Department of State of United States (-Mar. 1956); Officer-in-charge of Lao Affairs.
CABELL, lieutenant-général Charles P. (USAF), sous-directeur, Central Intelligence Agency des États-Unis.	CABELL, Lt. General Charles P. (USAF), Deputy Director, Central Intelligence Agency of United States.
CACCIA, sir Harold, sous-secrétaire d'État suppléant des Affaires étrangères, Foreign Office du Royaume-Uni (-nov. 1956); ambassadeur du Royaume-Uni aux États-Unis.	CACCIA, Sir Harold, Deputy Under-Secretary of State for Foreign Affairs, Foreign Office of United Kingdom (-Nov 1956); Ambassador of United Kingdom in United States.
CADIEUX, Marcel, chef, Direction des Nations Unies (-déc. 1956); sous-secrétaire d'État adjoint des Affaires extérieures et conseiller juridique.	CADIEUX, Marcel, Head, United Nations Division (-Dec. 1956); Assistant Under-Secretary of State for External Affairs and Legal Advisor.
CALLAGHAN, B.B., directeur exécutif suppléant australien, FMI (-mars 1957); directeur exécutif.	CALLAGHAN, B.B., Australian Alternate Executive Director, IMF (-Mar. 1957); Executive Director.
CAMERON, Dr. Douglas George, directeur adjoint, clinique de l'Université McGill, Hôpital général de Montréal.	CAMERON, Dr. Douglas George, Assistant Director, McGill University Clinic, Montreal General Hospital.
CAMPBELL SMITH, R., premier secrétaire (commercial), ambassade en France.	CAMPBELL SMITH, R., First Secretary (Commercial), Embassy in France.
CAMPBELL, Peter, commissaire canadien, CISC, Laos (sept. 1956-).	CAMPBELL, Peter, Commissioner, ICSC, Laos (Sept. 1956-).
CAMPNEY, Ralph O., ministre de la Défense nationale.	CAMPNEY, Ralph O., Minister of National Defence.
CANNON, Albert Edward Lucien, conseiller politique au commissaire canadien, CISC, Vietnam.	CANNON, Albert Edward Lucien, Political Advisor to Canadian Commissioner, ICSC, Vietnam.
CARANICAS, Costa P., directeur exécutif suppléant grec, FMI.	CARANICAS, Costa P., Greek Alternate Executive Director, IMF.
CARDIN, L.J.Lucien, adjoint parliamentaire au secrétaire d'État aux Affaires extérieures (fév. 1956-avr. 1957).	CARDIN, L.J.Lucien, Parliamentary Assistant to the Secretary of State for External Affairs (Feb. 1956—Apr. 1957).
CARRICK, Donald, député (Lib.—Trinity).	CARRICK, Donald, M.P. (Lib.—Trinity).

CARTER, Thomas Lemesurier, chef, Direction de l'Amérique (-mars 1957); commissaire canadien, CISC, Vietnam.	CARTER, Thomas Lemesurier, Head, American Division (-Mar. 1957); Commissioner, ICSC, Vietnam.
CASTLE, Lewis, administrateur, St. Lawrence Seaway Corporation des États-Unis.	CASTLE, Lewis, Administrator, St. Lawrence Seaway Corporation of United States.
CHAPPELL, N.R., attaché à la Production pour la défense, ambassade aux États-Unis.	CHAPPELL, N.R., Attaché (Defence Production), Embassy in United States.
CHERVENKOV, Vulko, premier ministre de Bulgarie (-avr. 1956); premier ministre suppléant et ministre pour le Culture.	CHERVENKOV, Vulko, Prime Minister of Bulgaria (-Apr. 1956); Deputy Prime Minister and Minister of Culture.
CHEVRIER, Lionel, président, Administration de la voie maritime du Saint-Laurent.	CHEVRIER, Lionel, President, St. Lawrence Seaway Authority.
VOIR TCHANG KAI-CHEK.	CHIANG KAI-SHEK, Generalissimo, President of Republic of China.
VOIR TCHOU EN-LAI.	CHOU EN-LAI, Prime Minister and Foreign Minister of People's Republic of China.
CHUHAVIN, D. S., ambassadeur de l'Union soviétique.	CHUHAVIN, D.S., Ambassador of Soviet Union.
CLARK, G., conseiller financière, mission permanente auprès du Bureau européen des Nations Unies.	CLARK, G., Adviser (Financial), Permanent Mission to European Office of United Nations.
CLARK, George R., sous-ministre des Pêcheries.	CLARK, George R., Deputy Minister of Fisheries.
CLARK, Gerald, correspondant, *Montreal Star*.	CLARK, Gerald, correspondent, *Montreal Star*.
COBBOLD, Cameron Fromanteel, gouverneur de la Banque d'Angleterre.	COBBOLD, Cameron Fromanteel, Governor, Bank of England.
COCHRANE, H. Merle, Directeur général adjoint, FMI.	COCHRANE, H. Merle, Deputy Managing Director, IMF.
COHEN, sir Edgar, sous-secrétaire de la chambre de commerce du Royaume-Uni.	COHEN, Sir Edgar, Under-Secretary, Board of Trade of United Kingdom.
COINER, major-général Richard, adjoint au sous-chef d'état-major pour les opérations – énergie atomique, United States Air Force.	COINER, Maj. General Richard, Assistant Deputy Chief of Staff of Operations for Atomic Energy, United States Air Force.
COLDWELL, M.J., député (Rosetown- Biggar), chef, FCC.	COLDWELL, M.J., M.P. (Rosetown- Biggar), Leader, C.C.F.
COLLINS, R. E., chargé d'Affaires, ambassade en Union soviétique.	COLLINS, R. E., Chargé d'Affaires, Embassy in Soviet Union.
CONNELLY, W., président, Niagara Port Authority.	CONNELLY, W., Chairman, Niagara Port Authority.
COOPER, brigadier P.S., conseiller militaire supérieur au commissaire canadien, CISC, Laos.	COOPER, Brigadier P.S., Senior Military Advisor to the Canadian Commissioner, ICSC, Laos.
COPLAND, sir Douglas, haut-commissaire de l'Australie (-1956).	COPLAND, Sir Douglas, High Commissioner of Australia (-1956).
COREA, sir Claude, haut-commissaire du Ceylan au Royaume-Uni (1954-1958); président, Commission provisoire de coordination des ententes relatives aux produits de base pour l'ONU (-1956); président du GATT.	COREA, Sir Claude, High Commissioner of Ceylon in United Kingdom (1954-1958); Chair, UN Interim Co-ordinating Committee for International Commodity Arrangements (-1956); Chairman, GATT.

CORSE, Carl, chef, Direction des accords commerciaux et des traités, département d'État des États-Unis, et représentant des États-Unis à la Conférence du GATT.	CORSE, Carl, Chief, Trade Agreements and Treaties Division, Department of State of United States, and Representative of United States to GATT.
CÔTÉ, E.A., sous-ministre adjoint des Affaires du Nord et des Ressources nationales.	CÔTÉ, E.A., Assistant Deputy Minister of Northern Affairs and National Resources.
COUILLARD, J. Louis, conseiller, ambassade aux États-Unis (-jan. 1957); chef, Direction économique.	COUILLARD, J. Louis, Counsellor, Embassy in United States (-Jan. 1957); Head, Economic Division.
COX, Gordon, chargé d'Affaires, légation en Autriche; (-jan. 1957); premier secrétaire, haut-commissariat au Royaume-Uni.	COX, Gordon, Chargé d'Affaires, Legation in Austria (-Jan. 1957); First Secretary, High Commission in United Kingdom.
COYNE, J.E., gouverneur de la Banque du Canada.	COYNE, J.E., Governor, Bank of Canada.
CRAWLEY, Desmond John C., secrétaire adjoint, Bureau des Relations avec le Commonwealth du Royaume-Uni.	CRAWLEY, Desmond John C., Assistant Secretary, Commonwealth Relations Office of United Kingdom.
CREAN, G.G., chef, 2^{ème} Direction de liaison avec la Défense.	CREAN, G.G., Head, Defence Liaison (2) Division.
CROWSON, Col. D.L., adjoint militaire au secrétaire à la défense (énergie atomique) des États-Unis.	CROWSON, Col. D.L., Military Assistant to Secretary of Defense (Atomic Energy) of United States.
CURZON, Leonard Henry, sous-secrétaire du ministère d'Approvisionnement du Royaume-Uni.	CURZON, Leonard Henry, Under-Secretary of Ministry of Supply of United Kingdom.
CYRANKIEWICZ, Jozef, premier ministre de Pologne.	CYRANKIEWICZ, Jozef, Prime Minister of Poland.
DABROWSKI, Konstantin, ministre du Commerce étrangère de Pologne (-déc. 1956).	DABROWSKI, Konstantin, Minister of Foreign Trade of Poland (-Dec. 1956).
DARIDAN, Jean Henri, directeur-général des Affaires politiques et économiques, ministère des Affaires étrangères de France.	DARIDAN, Jean Henri, Director General of Political and Economic Affairs, Ministry of Foreign Affairs of France.
DAS, major-général Chand N., commissaire indien, CISC, Cambodge (-mai 1957).	DAS, Major General Chand N., Indian Commissioner, ICSC, Cambodia (-May 1957).
DAVIDSON, Dr. G.F., sous-ministre (Bien-être) de la Santé et du Bien-être.	DAVIDSON, Dr. G.F., Deputy Minister (Welfare) of National Health and Welfare.
DAVIS, T.C., ambassadeur au Japon.	DAVIS, T.C., Ambassador in Japan.
DEAN, Patrick, sous-secrétaire d'État adjoint aux Affaires étrangères, Foreign Office du Royaume-Uni.	DEAN, Patrick, Assistant Under-Secretary of State for Foreign Affairs, Foreign Office of United Kingdom.
DELAFIELD, Charles, directeur, Société Radio Canada-Services internationaux.	DELAFIELD, Charles, Director, CBC-IS.
DELISLE, J.L., chargé d'Affaires, légation en Pologne (-nov. 1956).	DELISLE, J.L., Chargé d'Affaires, Legation in Poland (-Nov. 1956).
DESAI, M.J., secrétaire aux Affaires du Commowealth, ministère des Affaires extérieures de l'Inde.	DESAI, M.J., Commonwealth Secretary, Ministry of External Affairs of India.
DÉSY, Jean, directeur général, Société Radio Canada-Services internationaux (1952-1954); ambassadeur en France.	DÉSY, Jean, Director General, CBC-IS (1952-1954); Ambassador in France.

DIEFENBAKER, John G., député (CP-Prince Albert), chef de l'Opposition (déc. 1956-).	DIEFENBAKER, John G., M.P., (P.C.-Prince Albert), Leader of the Opposition (Dec. 1956-).
DIEM, Ngo Dinh, président de la République du Vietnam.	DIEM, Ngo Dinh, President of Republic of Vietnam.
DIETRICH, Ethel, agente (économique), mission des États-Unis auprès du Conseil de l'Atlantique Nord.	DIETRICH, Ethel, Economics Officer, Mission of United States to North Atlantic Council.
DILLON, C. Douglas, ambassadeur des États-Unis en France (-jan. 1957); sous-secrétaire adjoint aux Affaires économiques, département d'État des États-Unis (mars 1957-).	DILLON, C. Douglas, Ambassador of United States to France (-Jan. 1957); Deputy Under Secretary of State for Economic Affairs, Department of State of United States (Mar. 1957-).
DIRKSEN, sénateur Everett (R-Illinois).	DIRKSEN, Senator Everett (R-Illinois).
DIXON, sir Pierson, représentant permanent du Royaume-Uni auprès des Nations Unies.	DIXON, Sir Pierson, Permanent Representative of United Kingdom to United Nations.
DJILAS, Milovan, président de l'Assemblée populaire fédérale de Yougoslavie; emprisonné le 12 décembre 1956 pour avoir publiquement critiqué le gouvernement de Yougoslavie.	DJILAS, Milovan, President of Yugoslav Federal People's Assembly; jailed on December 12, 1956 for public criticism of Yugoslavian government.
DOBELL, Peter, deuxième secrétaire, légation en Tchécoslovaquie (-mars 1957).	DOBELL, Peter, Second Secretary, Legation in Czechoslovakia (-Mar. 1957).
DOUGLAS, James H., sous-secrétaire des Forces aériennes des États-Unis (-mars 1957); secrétaire des Forces aériennes.	DOUGLAS, James H., Under Secretary of Air Force of United States (-Mar 1957); Secretary of Air Force.
DOUGLAS, T.C., premier ministre du Saskatchewan.	DOUGLAS, T.C., Premier of Saskatchewan.
DUBS, Adolph, deuxième secrétaire, ambassade des États-Unis.	DUBS, Adolph, Second Secretary, Embassy of United States.
DULLES, Allen, directeur, Central Intelligence Agency des États-Unis.	DULLES, Allen, Director, Central Intelligence Agency of United States.
DULLES, John Foster, secrétaire d'État des États-Unis.	DULLES, John Foster, Secretary of State of United States.
DUNTON, Davidson, président, Société Radio Canada.	DUNTON, Davidson, President of CBC.
DUPLESSIS, Maurice, premier ministre du Québec.	DUPLESSIS, Maurice, Premier of Québec.
DUPUY, Pierre, ambassadeur en Italie.	DUPUY, Pierre, Ambassador in Italy.
DUTT, Subimal, secrétaire des Affaires étrangères, ministére des Affaires extérieures de l'Inde.	DUTT, Subimal, Foreign Secretary, Ministry of External Affairs of India.
EATON, Dr. A.K., sous-ministre adjoint des Finances.	EATON, Dr. A.K., Assistant Deputy Minister of Finance.
EATON, Cyrus, banquier américain et directeur de société.	EATON, Cyrus, American banker and company director.
ECHARDT, Felix von, observateur permanent de la République fédérale d'Allemagne auprès des Nations Unies (-1956); Chef, département de presse et d'Information.	ECHARDT, Felix von, Permanent Observer of Federal Republic of Germany to United Nations (-1956); Head of Press and Information Department.
ECKLES, sir David, ministre de l'Education du Royaume-Uni.	ECKLES, Sir David, Minister of Education of United Kingdom.

EDEN, sir Anthony, premier ministre et premier lord du Trésor du Royaume-Uni (-jan. 1957).	EDEN, Sir Anthony, Prime Minister and First Lord of the Treasury of United Kingdom (-Jan. 1957).
EHRENBURG, Ilya, écrivain et journaliste soviétique.	EHRENBURG, Ilya, Soviet writer and journalist.
EISENHOWER, Dwight D., président des États-Unis.	EISENHOWER, Dwight D., President of United States.
ELBRICK, C.B., sous-secrétaire d'État adjoint aux Affaires européennes, département d'État des États-Unis.	ELBRICK, C.B., Deputy Assistant Secretary of State for European Affairs, Department of State of United States.
ELLIS-REES, sir Hugh, délégué permanent du Royaume-Uni auprès de l'OECE.	ELLIS-REES, Sir Hugh, Permanent Delegate of United Kingdom to OEEC.
EMMINGER, Otmar, membre, Conseil de gestion, *Bank Deutscher Länder* de la République fédérale d'Allemagne et directeur exécutif allemand, FMI.	EMMINGER, Otmar, member, Board of Managers, *Bank Deutscher Länder* of Federal Republic of Germany and Executive Director, IMF.
ERICHSEN-BROWN, J.P., chargé d'Affaires, légation en Pologne (nov. 1956-).	ERICHSEN-BROWN, J.P., Chargé d'Affaires, Legation in Poland (Nov. 1956-).
ETZEL, Franz, ministre des Finances de la République fédérale d'Allemagne et vice-président, haute commission de la Communauté européenne du charbon et de l'acier.	ETZEL, Franz, Minister of Finance of Federal Republic of Germany and Vice President, High Authority of the European Coal and Steel Community.
FARLEY, Philip J., adjoint spécial suppléant au secrétaire d'État des États-Unis sur les questions atomiques.	FARLEY, Philip J., Deputy to Special Assistant to Secretary of State of United States for Atomic Energy Affairs.
FARQUHARSON, R.A., conseiller, ambassade aux États-Unis.	FARQUHARSON, R.A., Counsellor, Embassy in United States.
FAULKNER, Rafford Lochead, sous-directeur, Direction des matières premières, United States Atomic Energy Commission.	FAULKNER, Rafford Lochead, Deputy Director, Division of Raw Materials, United States Atomic Energy Commission.
FENOALTEA, Sergio, ambassadeur de l'Italie.	FENOALTEA, Sergio, Ambassador of Italy.
FIELDS, K.E., directeur général, United States Atomic Energy Commission.	FIELDS, K.E., General Manager, United States Atomic Energy Commission.
FIGGURES, Frank Edward, sous-secrétaire du Trésor du Royaume-Uni.	FIGGURES, Frank Edward, Under-Secretary of Treasury of United Kingdom.
FIGL, Leopold, ministre des Affaires étrangères de l'Autriche.	FIGL, Leopold, Minister of Foreign Affairs of Austria.
FISHER, Alexander, sous-ministre des Pêcheries de la Colombie-Britannique.	FISHER, Alexander, Deputy Minister of Fisheries of British Columbia.
FLEMMING, Dr. Arthur, chef, Bureau de mobilisation pour la défense des États-Unis (-fév. 1957).	FLEMMING, Dr. Arthur, Head, Office of Defense Mobilization of United States (-Feb. 1957).
FORD, R.A.D., chef, Direction européenne (-mars. 1957); ambassadeur en Colombie.	FORD, R.A.D., Head, European Division (-Mar. 1957); Ambassador in Colombia.
FORTHOMME, Pierre Attilio Paul, ambassadeur de Belgique en Suisse.	FORTHOMME, Pierre Attilio Paul, Ambassador of Belgium in Switzerland.
FORTAS, Abe, avocat et conseiller du Parti démocrate des États-Unis.	FORTAS, Abe, lawyer and advisor to Democratic Party of United States.

FORTIER, colonel Laval, sous-ministre de la Citoyenneté et de l'Immigration.	FORTIER, Colonel Laval, Deputy Minister of Citizenship and Immigration.
FOULKES, lieutenant-général Charles, président du Comité des chefs d'état-major.	FOULKES, Lt.-Gen. Charles, Chairman, Chiefs of Staff Committee.
FOURNIER, Jacques Charles Louis, conseiller juridique, ambassade de France en République du Vietnam.	FOURNIER, Jacques Charles Louis, Legal Adviser, Embassy of France in Republic of Vietnam.
FRANCE, Arnold, sous-secrétaire du Trésor du Royaume-Uni.	FRANCE, Arnold, Under-Secretary of Treasury of United Kingdom.
FRANK, Isaiah, sous-directeur, Bureau du Commerce international et des Ressources, département d'État des États-Unis.	FRANK, Isaiah, Deputy Director, Office of International Trade and Resources, Department of State of United States.
FRAPPIER, Dr. Armand, gouverneur, Société contre la tuberculose de Montréal et membre de la Société canadienne de la Croix-Rouge.	FRAPPIER, Dr. Armand, Governor, Montreal Anti-tuberculosis League and Member of the Canadian Red Cross Society.
FRÈRE, Maurice, gouverneur, Banque nationale de Belgique.	FRÈRE, Maurice, Governor, National Bank of Belgium.
FRIEDMAN, Irving S., directeur, Département des restrictions monétaires, FMI.	FRIEDMAN, Irving S., Director, Exchange Restrictions Department, IMF.
FRIIS, Torben, directeur exécutif suppléant danois, FMI (-oct. 1956); directeur exécutif (nov. 1956-).	FRIIS, Torben, Danish Alternate Executive Director, IMF (-Oct. 1956); Executive Director (Nov. 1956-).
FROST, Leslie M., premier ministre de l'Ontario.	FROST, Leslie M., Premier of Ontario.
FULLBRIGHT, William, sénateur (D-Arkansas), président de la Commission du Sénat des États-Unis sur les questions bancaires et monétaires.	FULLBRIGHT, Senator William, (D-Arkansas), Chairman, Banking and Currency Committee, Senate of United States.
FURNAS, Howard, Bureau d'adjoint spécial - renseignement, département d'État des États-Unis.	FURNAS, Howard, Office of Special Assistant – Intelligence, Department of State of United States.
FURTSEVA, E.A., premier secrétaire, Comité du Parti communiste de Moscou, Secrétariat du Parti communiste de l'Union soviétique.	FURTSEVA, E.A., First Secretary, Moscow Town Party Committee, Secretariat of Communist Party of the Soviet Union.
GARDINER, J.G., ministre de l'Agriculture.	GARDINER, J.G., Minister of Agriculture.
GARNER, sir Joseph John Saville, sous-secrétaire d'État, Bureau des Relations avec le Commonwealth du Royaume-Uni (-nov. 1956); haut-commissaire du Royaume-Uni.	GARNER, Sir Joseph John Saville, Deputy Under-Secretary of State, Commonwealth Relations Office of United Kingdom (-Nov. 1956); High Commissioner of United Kingdom.
GARSON, S.S., ministre de la Justice.	GARSON, S.S., Minister of Justice.
GARTHOFF, Raymond L., soviétologue, Rand Corporation (-1957); conseiller en affaires étrangères auprès de la United States Army.	GARTHOFF, Raymond L., research specialist on Soviet affairs, Rand Corporation (-1957); foreign affairs adviser to the United States Army (1957-).
GAUVIN, Michel, 1^{ère} Direction de liaison avec la Défense.	GAUVIN, Michel, Defence Liaison (1) Division.
GEORGE, James, Direction européene.	GEORGE, James, European Division.
GEROE, Erno, premier secrétaire, Parti communiste de Hongrie (-oct. 1956).	GEROE, Erno, First Secretary, Hungarian Communist Party (-Oct. 1956).
GIAP, voir Vo Nguyen Giap.	GIAP, See Vo Nguyen Giap.

GILBERT, H.A., premier secrétaire, ambassade aux États-Unis.	GILBERT, H.A., First Secretary, Embassy in United States.
GILLESPIE, colonel d'aviation W.L., ARC, chef de cabinet du Chef d'état-major de la Force aérienne (-nov. 1956); Chef d'état-major adjoint de la Force aérienne.	GILLESPIE, Group Captain W.L., RCAF, Executive Assistant to Chief of the Air Staff (-Nov 1956); Assistant to Chief of the Air Staff.
GLAZEBROOK, G.P. de T., ministre, ambassade aux États-Unis (-nov. 1956); chef, Direction de la recherche historique et des rapports.	GLAZEBROOK, G.P. deT., Minister, Embassy in United States (-Nov. 1956); Head, Historical Research and Reports Division.
GOLDBLATT, J., commissaire polonais par intérim, CISC, Vietnam (mai 1956-sept. 1956).	GOLDBLATT, J., Acting Polish Commissioner, ICSC, Vietnam (May1956-Sept. 1956).
GOLDEN, David, sous-ministre de la Production pour la défense.	GOLDEN, David, Deputy Minister of Defence Production.
GOLDSCHLAG, Klaus, deuxième secrétaire, haut-commissariat au Royaume-Uni.	GOLDSCHLAG, Klaus, Second Secretary, High Commission in United Kingdom.
GOLDSCHMIDT, Bertrand L, directeur du Groupe de la chimie, Commissariat à l'énergie atomique (CEA) de France.	GOLDSCHMIDT, Dr. Bertrand L, Director of Chemistry, Atomic Energy Commission of France.
GOMULKA, Wladyslaw, premier secrétaire du Comité central du Parti ouvrier unifié (communiste) de Pologne (oct. 1956-).	GOMULKA, Wladyslaw, First Secretary of Central Committee, United Workers Party (Communist) of Poland (Oct. 1956-).
GORDON, Donald, président, Canadien National.	GORDON, Donald, President, Canadian National Railways.
GORDON, Walter, président, Commission royale d'enquête sur les perspectives économiques du Canada.	GORDON, Walter, Chairman, Royal Commission on Canada's Economic Prospects.
GRANDY, J.F., Direction économique.	GRANDY, J.F., Economic Division.
GRAVES, sir Hubert, conseiller des Affaires de l'Extrême-Orient à l'ambassadeur du Royaume-Uni aux États-Unis.	GRAVES, Sir Hubert, Far Eastern Adviser to Ambassador of United Kingdom in United States.
GRAY, Gordon, secrétaire adjoint à la Defense des États-Unis (-mars 1957); chef, Bureau de mobilisation pour la défense des États-Unis.	GRAY, Gordon, Assistant Secretary of Defense of United States (-Mar. 1957); Head, Office of Defense Mobilization.
GREENE, sénateur Theodor F., (D.-Rhode Island), président, Comité des relations étrangères du Sénat des États-Unis (1957-).	GREEN, Senator Theodore F., (D.-Rhode Island), Chair, Foreign Relations Committee, Senate of United States (1957-).
GROMYKO, Andrei, premier vice-ministre des Affaires étrangères de l'Union soviétique (-fév. 1957); ministre des Affaires étrangères.	GROMYKO, Andrei, First Deputy Minister of Foreign Affairs of Soviet Union (-Feb.1957); Foreign Minister.
GRONCHI, Giovanni, président de l'Italie.	GRONCHI, Giovanni, President of Italy.
GRUENTHER, lieutenant-général A.M., commandant suprême des Forces alliées en Europe (-nov. 1956).	GRUENTHER, Lt.-Gen. A.M., Supreme Allied Commander in Europe (-Nov. 1956).
GUIRINGAUD, Louis de, chef adjoint, mission permanente de France auprès des Nations Unies.	GUIRINGAUD, Louis de, Assistant Head, Permanent Mission of France to United Nations.
HAGERTY, James C., secrétaire de presse au président des États-Unis.	HAGERTY, James C., Press Secretary to President of United States.
HAGIWARA, Toru, représentant du Japon à la Conférence du GATT.	HAGIWARA, Toru, Representative of Japan to GATT.

HAMMARSKJOLD, Dag, secrétaire général des Nations Unies.	HAMMARSKJOLD, Dag, Secretary General of United Nations.
HANEMANN, Wilhelm, directeur exécutif allemand, FMI.	HANEMANN, Wilhelm, German Executive Director, IMF.
HARCOURT, Viscount, directeur exécutif du Royaume-Uni, FMI (-jan. 1957).	HARCOURT, Viscount, United Kingdom Executive Director, IMF (-Jan. 1957).
HARMAN, G.R., Direction de l'Amérique.	HARMAN, G.R., American Division.
HARRIMAN, W. Averell, gouverneur, État de New York.	HARRIMAN, W. Averell, Governor of New York State.
HARRIS, W.E., ministre des Finances.	HARRIS, W.E., Minister of Finance.
HARWOOD, sir Edmund George, sous-secrétaire, ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Royaume-Uni.	HARWOOD, Sir Edmund George, Deputy Secretary, Ministry of Agriculture, Fisheries and Food of United Kingdom.
HATEYAMA, Ichiro, premier ministre du Japon.	HATEYAMA, Ichiro, Prime Minister of Japan.
HAUGE, Gabriel, adjoint administratif au président des États-Unis (-1957); adjoint spécial au président des États-Unis.	HAUGE, Gabriel, Administrative Assistant to President of United States (-1957); Special Assistant to President of United States.
HEALEY, Denis, député travailliste du Royaume-Uni.	HEALEY, Denis, Labour M.P., United Kingdom.
HEASMAN, George, ambassadeur en Indonésie.	HEASMAN, George, Ambassador in Indonesia.
HEATHCOAT-AMORY, Derick, ministre de l'Agriculture, des Pêcheries et de l'Alimentation du Royaume-Uni.	HEATHCOAT-AMORY, Derick, Minister of Agriculture, Fisheries and Food of United Kingdom.
HÉBERT, Charles P., ambassadeur en Belgique.	HÉBERT, Charles P., Ambassador in Belgium.
HEENEY, A.D.P., ambassadeur aux États-Unis (-mai 1957).	HEENEY, A.D.P., Ambassador in United States (-May 1957).
HEGEDUS, Andras, premier ministre de Hongrie (-oct. 1956).	HEGEDUS, Andras, Prime Minister of Hungary (-Oct. 1956).
HENRY, R.A.C., membre, section canadienne, Commission mixte d'ingénieurs du fleuve Saint-Laurent.	HENRY, R.A.C., Member, Canadian Section, St. Lawrence River Joint Board of Engineers.
HENRY, R.J., vice-président des Opérations, Eldorado Mining and Refining Ltée.	HENRY, R.J., Vice-President of Operations, Eldorado Mining and Refining Ltd.
HEPPEL, Richard, ambassadeur du Royaume-Uni au Cambodge (-sept. 1956); ministre conseiller, ambassade du Royaume-Uni en Autriche.	HEPPEL, Richard, Ambassador of United Kingdom in Cambodia (-Sept. 1956); Minister Counsellor, Embassy of United Kingdom in Austria.
HERTER, Christian A., conseiller au secrétaire d'État des États-Unis (de janvier 1957 à février 1957); sous-secrétaire d'État et président, Conseil de coordination des activités, département d'État des États-Unis.	HERTER, Christian A., Consultant to the Secretary of State of United States (Jan. 1957-Feb. 1957); Under Secretary of State and Chairman, Operations Coordinating Board of Deparment of State of United States.
HEUSS, Theodor, président de la République fédérale d'Allemagne.	HEUSS, Theodor, President of Federal Republic of Germany.
HICKS, Henry Davies, premier ministre de la Nouvelle-Écosse (-oct. 1956); chef de l'Opposition.	HICKS, Henry Davies, Premier of Nova Scotia (-Oct. 1956); Leader of the Opposition.

HILL, Robert C., adjoint spécial au sous-secrétaire d'État sur la sécurité mutuelle, département d'État des États-Unis (-mars 1956); secrétaire d'État adjoint aux relations avec le Congrès.	HILL, Robert C., Special Assistant to the Under Secretary of State for Mutual Security Affairs, Department of State of United States (-Mar. 1956); Assistant Secretary of State for Congressional Relations.
HITCHMAN, sir Edwin Alan, secrétaire permanent, ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Royaume-Uni.	HITCHMAN, Sir Edwin Alan, Permanent Secretary, Ministry of Agriculture, Fisheries and Food of United Kingdom.
HO CHI MINH, président de la République démocratique du Vietnam.	HO CHI MINH, President of Democratic Republic of Vietnam.
HOCKIN, A.B., Direction des Relations économiques internationales, ministère des Finances.	HOCKIN, A.B., International Economic Relations Division, Department of Finance.
HOLLIDAY, Leonard, ambassadeur du Royaume-Uni au Laos.	HOLLIDAY, Leonard, Ambassador of United Kingdom in Laos.
HOLLISTER, John B., Hollister, John, directeur, Administration de la coopération internationale des États-Unis.	HOLLISTER, John B., Director, International Cooperation Administration of United States.
HOLMES, John W., sous-secrétaire d'État adjoint aux Affaires extérieures.	HOLMES, John W., Assistant Under-Secretary of State for External Affairs.
HOLTROP, Marius Wilhelm, président, Banque des Pays-Bas.	HOLTROP, Marius Wilhelm, President, Bank of the Netherlands.
HOME, Lord, secrétaire d'État des Relations avec le Commonwealth du Royaume-Uni.	HOME, Lord, Secretary of State for Commonwealth Relations of United Kingdom.
HOOVER, Herbert Jr., sous-secrétaire d'État des États-Unis.	HOOVER, Herbert Jr., Under Secretary of State of United States.
HOPPENOT, Henri, haut-commissaire de France au Vietnam.	HOPPENOT, Henri, High Commissioner of France in Vietnam.
HOPPER, Dr. W.C., conseiller (Agriculture), ambassade aux États-Unis.	HOPPER, Dr. W.C., Agricultural Counsellor, Embassy in United States.
HORSEY, Outerbridge, directeur, Bureau des Affaires du Commonwealth britannique et d'Europe nord, département d'État des États-Unis.	HORSEY, Outerbridge, Director, Office of British Commonwealth and Northern European Affairs, Department of State of United States.
HORTHY, Miklós, régent de Hongrie de 1920 à 1944.	HORTHY, Miklós, Regent of Hungary (1920-1944).
HORVATH, Imre, ministre des Affaires étrangères de Hongrie.	HORVATH, Imre, Foreign Minister of Hungary.
HOUCK, W.L., député (Lib.-Niagara Falls).	HOUCK, W.L., M.P. (Lib.-Niagara Falls).
HOWE, C.D., ministre du Commerce et ministre de la Production pour la défense.	HOWE, C.D., Minister of Trade and Commerce and Minister of Defence Production.
HRUSKA, Bedrich, ministre, légation de Tchécoslovaquie.	HRUSKA, Bedrich, Minister, Legation of Czechoslovakia.
HUGHES, Earl Mulford, fermier et vice-président directeur, Commodity Credit Corporation des États-Unis (-1957); président, comité consultatif de la CCC.	HUGHES, Earl Mulford, farmer and Executive Vice-President of the Commodity Credit Corporation of United States (-1957); Chairman, Advisory Board of CCC (1957-).
HUMPHREY, George M., secrétaire au Trésor des États-Unis.	HUMPHREY, George M., Secretary of Treasury of United States.

HYNDMAN, James, deuxième secrétaire, légation en Autriche (-juill. 1956); deuxième secrétaire, délégation permanente auprès du Conseil de l'Atlantique Nord et de l'OECE.

IGNATIEFF, George, chef, 1ère Direction de liaison avec la Défense.

ISBISTER, C.M., directeur, Direction générale des Relations commerciales internationales, ministère du Commerce.

ISHIBASHI, Tanzan, ministre du Commerce international et de l'Industrie du Japon.

JACOBSSEN, Per, directeur général et président du Conseil de direction, FMI (1957-).

JAMES, William, membre du Conseil de direction et conseiller principal sur les pratiques minières, Eldorado Mining and Refining Ltée.

JAY, Harry, Direction des Nations Unies (-juin 1956); premier secrétaire, mission permanente auprès du Bureau européen des Nations Unies.

JHA, Chandra Shekhar, secrétaire conjoint, ministère des Affaires étrangères de l'Inde (-1957).

JOHNSON, David M., commissaire canadien, CISC, Vietnam (-avr. 1956); ambassadeur en Union soviétique.

JOHNSON, Jesse, directeur, Direction des matières premières, United States Atomic Energy Commission.

JOHNSON, R.G., président, Defence Construction Ltée.

JOHNSTON, Eric, président, Commission consultative pour le développement international, Administration de la coopération internationale des États-Unis.

JONES, John Wesley, directeur, Bureau des Affaires de l'Europe de l'Ouest, département d'État des États-Unis (-fév. 1957).

JORDAN, gouverneur Leonard, président, section des États-Unis, Commission mixte internationale.

JOXE, Louis, ambassadeur de France en République fédérale d'Allemagne (-juill. 1956); secrétaire général, ministère des Affaires étrangères de France.

JOZWIAK-WITOLD, Franciszek, membre du politburo du gouvernement de Pologne (-oct. 1956).

JUIN, maréchal Alphonse P., commandant en chef, Forces terrestres alliées en Europe centrale, OTAN.

HYNDMAN, James, Second Secretary, Legation in Austria, (-July 1956); Second Secretary, Permanent Delegation to North Atlantic Council and OEEC.

IGNATIEFF, George, Head, Defence Liaison (1) Division.

ISBISTER, C.M., Director, International Trade Relations Branch, Department of Trade and Commerce.

ISHIBASHI, Tanzan, Minister of International Trade and Industry of Japan.

JACOBSSEN, Per, Managing Director and Chairman of the Executive Board, IMF (1957-).

JAMES, William, Member of Executive and Senior Adviser on Mining Practice, Eldorado Mining and Refining Ltd.

JAY, Harry, United Nations Division (-June 1956); First Secretary, Permanent Mission to European Office of United Nations.

JHA, Chandra Shekhar, Joint Secretary, Ministry of External Affairs of India (-1957).

JOHNSON, David M., Commissioner, ICSC, Vietnam (-Apr. 1956); Ambassador in Soviet Union.

JOHNSON, Jesse, Director, Division of Raw Materials, United States Atomic Energy Commission.

JOHNSON, R.G., President, Defence Construction Ltd.

JOHNSTON, Eric, Chairman, International Development Advisory Board, International Cooperation Administration of United States.

JONES, John Wesley, Director, Office of Western European Affairs, Department of State of United States (-Feb. 1957).

JORDAN, Governor Leonard, Chairman, U.S. Section, International Joint Commission.

JOXE, Louis, Ambassador of France in Federal Republic of Germany (-July 1956); Secretary General, Ministry of Foreign Affairs of France.

JOZWIAK-WITOLD, Franciszek, Member of Politburo of Polish Government (-Oct. 1956).

JUIN, Marshal Alphonse P., Commander-in-Chief, Allied Land Forces in Central Europe, NATO.

Kádár, János, premier ministre de Hongrie (nov. 1956 -).	Kádár, János, Prime Minister of Hungary (Nov. 1956 -).
Kaganovich, Lazer, chef du Parti communiste soviétique et stalinien.	Kaganovich, Lazer, Soviet Communist Party leader and Stalinist.
Kalijarvi, Thorsten V., sous-secrétaire d'État adjoint aux Affaires économiques, département d'État des États-Unis.	Kalijarvi, Thorsten V., Deputy Assistant Secretary of State for Economic Affairs, Department of State of United States.
Katay, D. Sasorith, premier ministre du Laos.	Katay, D. Sasorith, Prime Minister of Laos.
Kattenburg, Paul M., agent responsable des Affaires du Vietnam, département d'État des États-Unis.	Kattenburg, Paul M., Officer-in-charge of Vietnam Affairs, Department of State of United States.
Kaul, T.N., ambassadeur de l'Inde au Vietnam (fév. 1957-).	Kaul, T.N., Ambassador of India in Vietnam (Feb. 1957-).
Keating, Kenneth B., député (R-New York), Congrès des États-Unis.	Keating, Kenneth B., Representative (R-New York), United States Congress.
Keenleyside, Hugh, directeur général, Administration de l'assistance technique des Nations Unies.	Keenleyside, Hugh, Director-General, Technical Assistance Administration of United Nations.
Kennan, George F., diplomate américain (1926-1953); professeur, faculté d'histoire, Institute for Advanced Study, Princeton University.	Kennan, George F., American diplomat (1926-53); Professor, School of History, Institute for Advanced Study at Princeton University.
Kerwin, Hon. Patrick, juge en chef du Canada.	Kerwin, Hon. Patrick, Chief Justice for Canada.
Kéthly, Anna, chef du Parti social-démocrate de Hongrie et ministre dans le gouvernement Nagy (d'octobre 1956 à novembre 1956).	Kéthly, Anna, a leader of the Social Democratic Party of Hungary and member of Cabinet of Nagy Government (Oct.1956—Nov. 1956).
Keyfitz, Nathan, statisticien et démographe, Bureau fédéral de la statistique, chef du Bureau de coopération technique, Plan de Colombo.	Keyfitz, Nathan, Statistician and Demographer, Dominion Bureau of Statistics, and Head of Bureau for Technical Cooperation, Colombo Plan.
Khim Tit, président du Conseil du Cambodge et ministre de la Planification.	Khim Tit, President of Council of Cambodia and Minister of Planning.
Khrouchtchev, N.S., premier secrétaire du Comité central du Parti communiste de l'Union soviétique.	Khrushchev, N.S., First Secretary of Central Committee of Communist Party of Soviet Union.
Kirkwood, D.H.W., Direction économique.	Kirkwood, D.H.W., Economic Division.
Kirpal major-général P.N., commissaire indien et président, CISC, Laos.	Kirpal, Major-General P.N., Indian Commissioner and Chairman, ICSC, Cambodia.
Kitchen, George, correspondant, presse canadienne, Washington.	Kitchen, George, correspondent, Canadian Press, Washington.
Knowland, sénateur W. (R.-Californie).	Knowland, Senator W. (R.-California).
Knowles, Stanley, député (FCC-Winnipeg-Nord-Centre).	Knowles, Stanley, M.P. (CCF-Winnipeg North Centre).
Kocher, Eric, directeur suppléant, Bureau des Affaires de l'Asie du Sud-Est, département d'État des États-Unis.	Kocher, Eric, Deputy Director, Office of Southeast Asian Affairs, Department of State of United States.
Kohnstamm, Max, secrétaire auprès la haute commission de la Communauté européenne du charbon et de l'acier.	Kohnstamm, Max, Secretary to High Authority of the European Coal and Steel Community.

KONO, Ichiro, ministre de l'Agriculture et des Forêts du Japon.	KONO, Ichiro, Minister of Agriculture and Forestry of Japan.
KOSTOV, Traicho, secrétaire politique du Parti communiste de Bulgarie, exécuté en 1949 pour espionnage.	KOSTOV, Traicho, Political Secretary of Communist Party of Bulgaria until executed in 1949 for espionage.
KOSYGIN, Alexei N., vice-président du Conseil des ministres de l'Union soviétique (-déc. 1956).	KOSYGIN, Alexei N., Deputy Chairman of Council of Ministers of Soviet Union (-Dec. 56).
LACOSTE, Francis, ambassadeur de France.	LACOSTE, Francis, Ambassador of France.
LACY, W.S.B., adjoint spécial pour les relations est-ouest auprès du secrétaire d'État des États-Unis.	LACY, W.S.B., Special Assistant for East-West Exchanges to Secretary of State of United States.
LALL, Arthur, représentant permanent de l'Inde auprès des Nations Unies.	LALL, Arthur, Permanent Representative of India to United Nations.
LAMONTAGNE, Maurice, conseiller des Affaires économiques, Bureau du Conseil privé.	LAMONTAGNE, Maurice, Economic Adviser, Privy Council Office.
LAWRIE, J.B., représentant de la Commission canadienne du blé au Royaume-Uni.	LAWRIE, J.B., Canadian Wheat Board representative in United Kingdom.
LEDDY, John, adjoint spécial au sous-secrétaire d'État adjoint aux Affaires économiques, département d'État des États-Unis.	LEDDY, John, Special Assistant to Assistant Secretary of State for Economic Affairs, Department of State of United States.
LEE, sir Frank, secrétaire permanent, chambre de commerce du Royaume-Uni.	LEE, Sir Frank, Permanent Secretary, Board of Trade of United Kingdom.
LÉGER, Jules, sous-secrétaire d'État aux Affaires extérieures.	LÉGER, Jules, Under-Secretary of State for External Affairs.
LESAGE, Jean, ministre des Affaires du Nord et des Ressources nationales.	LESAGE, Jean, Minister of Northern Affairs and National Resources.
LETT, Sherwood, commissaire canadien, CISC, Vietnam (sept. 1954-juill. 1955).	LETT, Sherwood, Commissioner, ICSC, Vietnam (Sept. 1954-July 1955).
LEWIS, W.B., vice-président, Recherche-développement, Énergie atomique du Canada Ltée.	LEWIS, W.B., Vice President of Research and Development, Atomic Energy of Canada Ltd.
LIEFTINCK, Pieter, directeur des Pays-Bas, FMI.	LIEFTINCK, Pieter, Netherlands Director, IMF.
LINDT, Auguste Rudolph, haut-commissaire pour les Réfugiés.	LINDT, Auguste Rudolph, United Nations High Commissioner for Refugees.
LINTOTT, sir Henry, sous-secrétaire d'État suppléant, Bureau des Relations avec le Commonwealth du Royaume-Uni.	LINTOTT, Sir Henry, Deputy Under-Secretary of State, Commonwealth Relations Office of United Kingdom.
LIPPMAN, Walter, correspondant diplomatique, *New York Herald Tribune*.	LIPPMAN, Walter, diplomatic correspondent, *New York Herald Tribune*.
LISTER, Ernest A., agent responsible des Affaires du Royaume-Uni et d'Irlande, Bureau des Affaires du Commonwealth britannique et d'Europe nord, département d'État des États-Unis (-mai 1956); sous-directeur.	LISTER, Ernest A., Officer-in-charge of United Kingdom and Ireland Affairs, Office of British Commonwealth and Northern European Affairs, Department of State of United States (-May 1956); Deputy Director.
LLOYD, John Selwyn, ministre de la Défense du Royaume-Uni (-jan. 1957); Foreign Secretary.	LLOYD, John Selwyn, Minister of Defence of United Kingdom (- Jan. 1957); Foreign Secretary.
LOBATCHEV, Alexandre I., conseiller commercial, ambassade de l'Union soviétique.	LOBATCHEV, Alexandre I., Commercial Counsellor, Embassy of Soviet Union.

LODGE, Henry Cabot, Jr., représentant permanent des États-Unis auprès des Nations Unies.	LODGE, Henry Cabot, Jr., Permanent Representative of United States to United Nations.
LOPER, Herbert, adjoint au secrétaire à la Defense (énergie atomique) des États-Unis et président, Comité de liaison militaire pour la Atomic Energy Commission.	LOPER, Herbert, Assistant for Atomic Energy to Secretary of Defense of United States and Chairman, Military Liaison Committee to Atomic Energy Commission.
LOVINK, A.H.J., ambassadeur des Pays-Bas.	LOVINK, A.H.J., Ambassador of The Netherlands.
LOW, A.R., ministre d'État, chambre de commerce du Royaume-Uni.	LOW, A.R., Minister of State, Board of Trade of United Kingdom.
LUCE, Henry Robinson, éditeur et rédacteur en chef, *Time Inc.*	LUCE, Henry Robinson, publisher and editor in chief of *Time Inc.*
LUNS, Joseph, ministre des Affaires étrangères des Pays-Bas (conjointement avec Johan Beyen jusqu'en oct. 1956); ministre des Affaires étrangères.	LUNS, Joseph, Minister of Foreign Affairs of the Netherlands (concurrently with Johan Beyen until October 1956); Minister of Foreign Affairs thereafter.
LYSENKO, Trofim D., agronome soviétique.	LYSENKO, Trofim D., Soviet agronomist.
MACDONALD, Malcolm, haut-commissaire du Royaume-Uni en Inde.	MACDONALD, Malcolm, High Commissioner of United Kingdom in India.
MACDONNELL, R.M., sous-secrétaire d'État suppléant aux Affaires extérieures.	MACDONNELL, R.M., Deputy Under-Secretary of State for External Affairs.
MACKAY, R.A., représentant permanent auprès des Nations Unies.	MACKAY, R.A., Permanent Representative to United Nations.
MACLAREN, Gordon F., avocat.	MACLAREN, Gordon F., Lawyer.
MACMILLAN, Harold, chancelier de l'Échiquier du Royaume-Uni; (-jan. 1957); premier ministre.	MACMILLAN, Harold, Chancellor of the Exchequer of United Kingdom, (-Jan.1957); Prime Minister.
MACTAVISH, Duncan, conseiller juridique, Consolidated Premium Iron Ores Ltée.	MACTAVISH, Duncan, Counsel, Consolidated Premium Iron Ores Ltd.
MAHONEY, sénateur Walter J., chef de la majorité (républicain), Sénat de l'État de New York.	MAHONEY, Senator Walter J., Republican Majority leader, State Senate of New York.
MAKINS, sir Roger, ambassadeur du Royaume-Uni aux États-Unis (-oct. 1956); secrétaire permanent conjoint du Trésor.	MAKINS, Sir Roger, Ambassador of United Kingdom in United States, (-Oct. 1956); Joint Permanent Secretary of the Treasury.
MALENKOV, Giorgi, président, Présidium du Conseil des ministres de l'Union soviétique (-fév. 1955).	MALENKOV, Giorgi, Chairman, Praesidium of Council of Ministers of Soviet Union (-Feb. 1955).
MALONE, Thomas Paul, chef, Direction consulaire.	MALONE, Thomas Paul, Head, Consular Division.
MANSOUR, Albert, directeur exécutif suppléant égyptien, FMI.	MANSOUR, Albert, Egyptian Alternate Executive Director, IMF.
MAO TSE TOUNG, président du Parti communiste de la République populaire de Chine.	MAO TSE-TUNG, Chairman, Communist Party of People's Republic of China.
MARGRAVE, R.N., Bureau du contrôle des munitions, département d'État des États-Unis.	MARGRAVE, R.N., Office of Munitions Control, Department of State of United States.
MARLER, George C., ministre des Transports.	MARLER, George C., Minister of Transport.
MARTIN, Paul, ministre de la Santé nationale et du Bien-être social.	MARTIN, Paul, Minister of National Health and Welfare.
MARTIN, W.R., secrétaire adjoint du Cabinet.	MARTIN, W.R., Assistant Secretary to Cabinet.

MARTINO, Gaetano, ministre des Affaires étrangères de l'Italie.	MARTINO, Gaetano, Minister of Foreign Affairs of Italy.
MASARYK, Jan, ministre des Affaires étrangères de Tchécoslovaquie jusqu'à sa mort en février 1948.	MASARYK, Jan, Minister of Foreign Affairs of Czechoslovakia until his death in Feb. 1948.
MASUTANI, Shuji, président de la Chambre des représentants du Japon.	MASUTANI, Shuji, Speaker of House of Representatives of Japan.
MATSUMOTO, Shun-ichi, conseiller au ministre des Affaires étrangères du Japon (-1957); représentant permanent du Japon auprès des Nations Unies.	MATSUMOTO, Shun-ichi, Adviser to Minister of Foreign Affairs of Japan (-1957); Permanent Representative of Japan to United Nations.
MATTESON, Robert E., directeur fonctionnel du Groupe spécial de désarmement de Harold Stassen, États-Unis.	MATTESON, Robert E., Staff Director of Harold Stassen's Special Disarmament Staff, United States.
MATTHEWS, W.D., sous-secrétaire adjoint des Affaires extérieures.	MATTHEWS, W.D., Assistant Under-Secretary of State for External Affairs.
MAU, Vu Van, ministre des Affaires étrangères de la République du Vietnam.	MAU, Vu Van, Minister of Foreign Affairs of Republic of Vietnam.
MCBRIDE, sir Philip, ministre de la Défense de l'Australie.	MCBRIDE, Sir Philip, Minister of Defence of Australia.
MCCANN, James J., ministre du Révenu national.	MCCANN, James J., Minister of National Revenue.
MCCARDLE, J.J.M., 1ère Direction de liaison avec la Défense et secrétaire canadien, Commission permanente canado-américaine de défense.	MCCARDLE, J.J.M., Defence Liaison (1) Division and Secretary, Canadian Section, PJBD.
MCCARTHY, sir Edwin, haut-commisaire suppléant de l'Australie au Royaume-Uni.	MCCARTHY, Sir Edwin, Deputy High Commissioner of Australia in United Kingdom.
MCCORDICK, J.A., premier secrétaire, ambassade en Espagne (-juin 1956); 1ère Direction de liaison avec la Défense.	MCCORDICK, J.A., First Secretary, Embassy in Spain (-June 1956); Defence Liaison (1) Division.
MCDOUGALL, G.S., directeur des ventes pour le Canada, British Overseas Airways Corporation.	MCDOUGALL, G.S., Sales Manager for Canada, British Overseas Airways Corporation.
MCENTYRE, John G., sous-ministre du Révenu national.	MCENTYRE, John G., Deputy Minister of National Revenue.
MCEWEN, John, ministre du Commerce et d'Agriculture de l'Australie (-1956); ministre du Commerce.	MCEWEN, John, Minister of Commerce and Agriculture of Australia (-1956); Minister of Trade.
MCGAUGHEY, C.E., premier secrétaire, haut-commissariat en Inde.	MCGAUGHEY, C.E., First Secretary, High Commission in India.
MCGILL, A.S., adjoint spécial au secrétaire d'État des Affaires extérieures.	MCGILL, A.S., Special Assistant to Secretary of State for External Affairs.
MCGREER, D'Arcy, Direction de l'Extrême-Orient.	MCGREER, D'Arcy, Far Eastern Division.
MCLAIN, Marvin, représentant des États-Unis auprès des pourparlers de l'Accord international sur le blé.	MCLAIN, Marvin, Representative of United States at International Wheat Agreement talks.
MCLEOD, Scott, ambassadeur des États-Unis en Irlande (mai 1957-).	MCLEOD, Scott, Ambassador of United States in Ireland (May 57-).
MCNAMARA, W.C., commissaire en chef adjoint, Commission canadienne du blé.	MCNAMARA, W.C., Assistant Chief Commissioner, Canadian Wheat Board.

McNAUGHTON, général A.G.L., président, section canadienne, Commission mixte internationale et président, section canadienne, Commission permanente canado-américaine de défense.	McNAUGHTON, General A.G.L., Chairman, Canadian Section, International Joint Commission and Chairman, Canadian Section, PJBD.
McNICOL, David, ministre, ambassade de l'Australie en République du Vietnam.	McNICOL, David, Minister, Embassy of Australia in Republic of Vietnam.
MEIER (MEYERSON), Golda, ministre des Affaires étrangères de l'Israël (juin 1956-).	MEIER (MEYERSON), Golda, Foreign Minister of Israel (June 1956-).
MELNIKOV, Leonid G., premier secrétaire de la République socialiste soviétique d'Ukraine (1949-1953).	MELNIKOV, Leonid G., First Secretary of the Ukrainian Soviet Socialist Republic (1949-1953).
MENDÈS-FRANCE, Pierre, premier ministre et ministre des Affaires étrangères de France (-fév. 1955); ministre d'État (fév. 1956-mai 1956).	MENDÈS-FRANCE, Pierre, Prime Minister and Minister of Foreign Affairs of France (-Feb. 1955); Minister of State (Feb.1956 - May 1956).
MENON, V.K. Krishna, ministre sans portefeuille de l'Inde (-déc. 1956) et représentant de l'Inde, délégation à l'Assemblée générale des Nations Unies; ministre de la Défense.	MENON, V.K. Krishna, Minister without Portfolio, India (-Dec. 1956) and Chairman of Indian Delegation to United Nations General Assembly; Minister of Defence.
MENTHON, Bernard de, ministre plénipotentiaire, Conseil des ministres de France.	MENTHON, Bernard de, Minister plenipotentiary, Conference Board of the Government of France.
MENZIES, A.R., chef, Direction de l'Extrême-Orient.	MENZIES, A.R., Head, Far Eastern Division.
MERCHANT, Livingston, secrétaire d'État adjoint aux Affaires européennes, département d'État des États-Unis (-juill. 1956); ambassadeur des États-Unis.	MERCHANT, Livingston, Assistant Secretary of State for European Affairs, Department of State of United States (-July 1956); Ambassador of United States.
MGELADZE, Akaki I., premier secrétaire, Parti communiste de la République socialiste soviétique de Géorgie.	MGELADZE, Akaki I. First Secretary of the Communist Party of Soviet Socialist Republic of Georgia.
MICHALOWSKI, Jerzy, commissaire polonais, CISC, Vietnam (-mai 1956); représentant de Pologne auprès des Nations Unies.	MICHALOWSKI, Jerzy, Polish Commissioner, ICSC, Vietnam (-May 1956); Representative of Poland to United Nations.
MIKOYAN, A.I., membre, Présidium du Comité central du Parti communiste de l'Union soviétique.	MIKOYAN, A.I., Member, Praesidium of Central Committee of Communist Party of Soviet Union.
MILLER, vice-maréchal de l'air F.R., sous-ministre de la Défense nationale.	MILLER, Air Vice Marshall F.R., Deputy Minister of National Defence.
MINC, Hilary, premier vice-président, Conseil des ministres de Pologne (-oct. 1956).	MINC, Hilary, First Deputy Chairman of Council of Ministers of Poland (-Oct. 1956).
MINER, Robert, agent responsible des Affaires du Commonwealth, Bureau des Affaires du Commonwealth britannique et d'Europe nord, département d'État des États-Unis.	MINER, Robert, Officer-in-charge of Commonwealth Affairs, Office of British Commonwealth and Northern European Affairs, Department of State of United States.
MINIFIE, Don, correspondant, *Toronto Telegram* et Société Radio Canada, Washington.	MINIFIE, James M., correspondent, *Toronto Telegram* and CBC, Washington.
MITRA, sir Dhirendra Nath, chargé d'Affaires, ambassade de l'Inde au Cambodge.	MITRA, Sir Dhirendra Nath, Chargé d'Affaires, Embassy of India in Cambodia.
MOLLET, Guy, premier ministre de France.	MOLLET, Guy, Prime Minister of France.

MOLOTOV, V.M., ministre des Affaires étrangères de l'Union soviétique (-juin 1956); premier vice-président du Conseil des ministres (-fév. 1957).	MOLOTOV, V.M., Minister of Foreign Affairs of Soviet Union (-June 1956); First Deputy Chairman of Council of Ministers (-Feb. 1957).
MONCEL, général de brigade Robert W., commissaire canadien par intérim, CISC, Vietnam (fév. 1957-mars 1957).	MONCEL, Brigadier Robert W., Acting Canadian Commissioner, ICSC, Vietnam (Feb. 1957-Mar. 1957).
MONNET, Jean, président, Comité d'action pour des États-Unis d'Europe (Marché commun).	MONNET, Jean, Chairman, Action Committee for a United States of Europe (Common Market).
MONTURE, Gilbert C., chef, Direction des ressources minérales, ministère des Mines et des Relevés techniques.	MONTURE, Gilbert C., Chief, Mineral Resources Division, Department of Mines and Technical Surveys.
MORAWSKI, Jerzy, membre du politburo du gouvernement de Pologne.	MORAWSKI, Jerzy, Member of Politburo of Government of Poland.
MORRIS, Robert, avocat en chef, sous-commission du Sénat des États-Unis sur la sécurité intérieure.	MORRIS, Robert, Chief Counsel, Subcommittee on Internal Security of United States Senate.
MORTON, Thurston B., secrétaire d'État adjoint aux relations avec le Congrès, département d'État des États-Unis (-fév. 1956); sénateur (R-Kentucky) (jan. 1957-).	MORTON, Thurston B., Assistant Secretary of State for Congressional Relations, Department of State of United States (-Feb. 1956); Senator (R-Kentucky) (Jan. 1957-).
MUKHITDINOV, Nuritdin Akhramovich, membre suppléant, Présidium du Comité central du Parti communiste de l'Union soviétique (1956-57); membre et secrétaire du Comité central.	MUKHITDINOV, Nuritdin Akhramovich, Alternate member of Praesidium of the Central Committee of the Communist Party of the Soviet Union (1956-57); Member and Secretary of the Central Committee.
MUNRO, sir Leslie, ambassadeur de Nouvelle-Zélande aux États-Unis et représentant permanent auprès des Nations Unies.	MUNRO, Sir Leslie, Ambassador of New Zealand in United States and Permanent Representative to United Nations.
MURPHY, Robert, sous-secrétaire d'État suppléant, département d'État des États-Unis.	MURPHY, Robert, Deputy Under Secretary of State, Department of State of United States.
MUTTER, J.L., conseiller commercial, ambassade au Japon.	MUTTER, J.L., Commercial Counsellor, Embassy in Japan.
MYERS, Jerome, président, Jerome Concerts and Artists Ltd., Montreal.	MYERS, Jerome, President, Jerome Concerts and Artists Ltd., Montreal.
NAGY, Imre, premier ministre de Hongorie (oct-nov. 1956).	NAGY, Imre, Prime Minister of Hungary (Oct.-Nov. 1956).
NAM, Colonel Hoang-Thuy, membre du personnel du président de la République du Vietnam.	NAM, Colonel Hoang-Thuy, Presidential Staff of Republic of Vietnam.
NASSER, Colonel Abdul Gamal, premier ministre de l'Égypte (-juin 1956); président.	NASSER, Colonel Gamal Abdel, Prime Minister of Egypt (-June 1956); President.
NEAL, A.F., attaché, ambassade en France.	NEAL, A.F., Attaché, Embassy in France.
NEHRU, Pandit Jawaharlal, premier ministre de l'Inde.	NEHRU, Pandit Jawaharlal, Prime Minister of India.
NERVO, Luis, voir Padillo Nervo, Luis.	NERVO, Luis, see Padillo Nervo, Luis.
NES, David, agent responsible des Affaires coréenes, Bureau des Affaires de l' Extrême-Orient, département d'État des États-Unis (mai 1956-).	NES, David, Officer-in-charge of Korean Affairs, Bureau of Far Eastern Affairs, Department of State of United States (May 1956-).

NEUBERGER, sénateur Richard Lewis (D-Oregon).	NEUBERGER, Senator Richard Lewis (D-Oregon).
NGON SANNANIKONE, ministre de l'Education du Laos.	NGON SANNANIKONE, Minister of Education of Laos.
NICHOLSON, L.H., commissaire de la GRC.	NICHOLSON, L.H., Commissioner of RCMP.
NICOLS, Clarence, chef, Direction des ressources internationaux, département d'État des États-Unis (-oct. 1956); sous-directeur, Bureau du Commerce international et des Ressources.	NICHOLS, Clarence, Chief, International Resources Division, Department of State of United States (-Oct. 1956); Deputy Director, Office of International Trade and Resources.
NICKLE,W.M., ministre de la Planification et du Développement de l'Ontario.	NICKLE, W.M., Minister of Planning and Development of Ontario.
NITZE, Paul, président de la Foreign Service Educational Foundation, Washington, D.C.	NITZE, Paul, President of Foreign Service Educational Foundation, Washington, D.C.
NIXON, Richard, vice-président des États-Unis.	NIXON, Richard, Vice-President of United States.
NONG KIMNY, ambassadeur du Cambodge aux États-Unis.	NONG KIMNY, Ambassador of Cambodia in United States.
NORMAN, E. Herbert, ambassadeur en Égypte (août 1956-avr. 1957).	NORMAN, E. Herbert, Ambassador in Egypt (Aug. 1956-Apr. 1957).
NUGENT, Julian, agent responsible des Affaires canadiennes, Bureau des Affaires du Commonwealth britannique et d'Europe nord, département d'État des États-Unis.	NUGENT, Julian, Officer-in-charge of Canadian Affairs, Office of British Commonwealth and Northern European Affairs, Department of State of United States.
NYE, sir Archibald, haut-commissaire du Royaume-Uni (-nov. 1956).	NYE, Sir Archibald, High Commissioner of United Kingdom (-Nov. 1956).
OCHAB, Edward, premier secrétaire, Parti communiste de Pologne.	OCHAB, Edward, First Secretary, Communist Party of Poland.
OCKRENT, R.A., représentant permanent de Belgique auprès de l'OECE.	OCKRENT, R.A., Permanent Representative of Belgium to OEEC.
O'MAHONEY, sénateur Joseph C. (D-Wyoming).	O'MAHONEY, Senator Joseph C. (D-Wyoming).
OLLENHAUER, Erick, chef, Parti social-démocrate de la République fédérale d'Allemagne.	OLLENHAUER, Erick, Leader, Social Democratic Party of Federal Republic of Germany.
OSTERTAG, Harold C., député (R-New York), Congrès des États-Unis.	OSTERTAG, Representative Harold C. (R-New York), Congress of United States.
OVERBY, Andrew, secrétaire adjoint du Trésor des États-Unis.	OVERBY, Andrew, Assistant Secretary of the Treasury of United States.
OZERE, S.V., sous-ministre adjoint des Pêcheries.	OZERE, S.V., Assistant Deputy Minister of Fisheries.
PADILLO NERVO, Luis, secrétaire d'État des Affaires étrangères de Mexique.	PADILLO NERVO, Luis, Secretary of State for Foreign Affairs of Mexico.
PAGET, A.F., contrôleur des droits relatifs à l'eau de la Colombie-Britannique.	PAGET, A.F., Comptroller of Water Rights of British Columbia.
PARANAGUA, Octavio, directeur exécutif brésilien, FMI.	PARANAGUA, Octavio, Brazilian Executive Director, IMF.
P[illegible]ONS, J. Graham, ambassadeur des États-Unis au Laos.	PARSONS, J. Graham, Ambassador of United States in Laos.
PARSONS, Marselis, sous-directeur, Bureau des Affaires du Commonwealth britannique et d'Europe nord, département d'État des États-Unis (-mai 1956); directeur.	PARSONS, Marselis, Deputy Director, Office of British Commonwealth and Northern European Affairs, Department of State of United States (-May 1956); Director.

PARTHASARATHI, G., commissaire indien et président, CISC, Vietnam.	PARTHASARATHI, G., Indian Commissioner and Chairman, ICSC, Vietnam.
PATRIARCHE, cdre/air V.H., chef de l'instruction, ARC.	PATRIARCHE, A/C V.H., Chief of Training, RCAF.
PEARSON, Lester B. (Mike), secrétaire d'État aux Affaires extérieures.	PEARSON, Lester B. (Mike), Secretary of State for External Affairs.
PENFIELD, Wilder G., directeur, Institut neurologique de Montréal, Université McGill.	PENFIELD, Dr. Wilder G., Director, Montreal Institute of Neurology at McGill University.
PERKINS, George, représentant permanent des États-Unis auprès du Conseil de l'Atlantique Nord.	PERKINS, George, Permanent Representative of United States to North Atlantic Council.
PETITPIERRE, Max, membre du Conseil fédéral de Suisse et chef du Département politique.	PETITPIERRE, Max, Federal Counsellor and Head, Political Department of Switzerland.
PETSARATH, Prince, vice-roi du Laos.	PETSARATH, Prince, Viceroy of Laos.
PHLEGER, Herman, conseiller juridique, département d'État des États-Unis.	PHLEGER, Herman, Legal Adviser, Department of State of United States.
PHOUI, Sananikone, vice-premier ministre et ministre des Affaires étrangères du Laos (-mars 1956); ministre des Affaires étrangères, des Travaux publics, de la Reconstruction et de l'Urbanisme.	PHOUI, Sananikone, Deputy Prime Minister and Minister of Foreign Affairs of Laos (-Mar.1956); Minister of Foreign Affairs, Public Works, Reconstruction and Urbanism.
PICARD, Louis Philippe, ambassadeur en Argentine.	PICARD, Louis Philippe, Ambassador in Argentina.
PICK, A.J., Direction européene.	PICK, A.J., European Division.
PICKERSGILL, J.W., ministre de la Citoyenneté et de l'Immigration.	PICKERSGILL, J.W., Minister of Citizenship and Immigration.
PIERCE, S.D., haut-commissaire suppléant, haut-commissariat au Royaume-Uni; haut-commissaire par intérim (mai 1957-).	PIERCE, S.D., Deputy High Commissioner, High Commission in United Kingdom; Acting High Commissioner (May 1957-).
PIETERS, G.W.J., attaché (Affaires agricoles et sociales), ambassade des Pays-Bas.	PIETERS, G.W.J., Attaché (Agricultural and Social Affairs), Embassy of the Netherlands.
PILLAI, sir R.N., secrétaire général du ministère des Affaires extérieures de l'Inde.	PILLAI, Sir R.N., Secretary-General, Ministry of External Affairs of India.
PINARD, Roch, secrétaire d'État.	PINARD, Roch, Secretary of State.
PINEAU, Christian, ministre des Affaires étrangères de France (fév. 1956-).	PINEAU, Christian, Minister of Foreign Affairs of France (Feb. 1956-).
PINTO, P.J.J., directeur exécutif suppléant indien, FMI (août 1956-).	PINTO, P.J.J., Indian Alternate Executive Director, IMF (Aug. 1956-).
PLOWDEN, sir Edwin, président, Atomic Energy Authority du Royaume-Uni.	PLOWDEN, Sir Edwin, President, Atomic Energy Authority of United Kingdom.
PLUMPTRE, A.F.W., sous-ministre adjoint du ministère des Finances.	PLUMPTRE, A.F.W., Assistant Deputy Minister, Department of Finance.
POLLOCK, Sidney, représentant suppléant, délégation à l'Assemblée générale des Nations Unies.	POLLOCK, Sidney, Alternate Representative, Delegation to United Nations General Assembly.
POSPELOV, Pyotr Nicolaevich, secrétaire du Comité central du Parti communiste de l'Union soviétique.	POSPELOV, Pyotr Nicolaevich, Secretary, Central Committee of Communist Party of Soviet Union.

POSPISIL, Ladislav, président, Omnitrade de Tchécoslovaquie.	POSPISIL, Ladislav, President, Omnitrade of Czechoslovakia.
PRASAD, P.S. Narayan, conseiller politique au commissaire indien, CISC Vietnam (fév. 1957-).	PRASAD, P.S. Narayan, Political Adviser to Indian Commissioner, ICSC, Vietnam (Feb. 1957-).
PRICA, Srdja, sous-secrétaire des Affaires étrangères de Yougoslavie.	PRICA, Srdja, Under-Secretary for Foreign Affairs of Yugoslavia.
PRITCHARD, Neil, haut-commissaire suppléant du Royaume-Uni (-avr.1957).	PRITCHARD, Neil, Deputy High Commissioner of United Kingdom (-Apr. 1957).
PROCHNOW, Herbert, sous-secrétaire d'État suppléant aux Affaires économiques, département d'État des États-Unis.	PROCHNOW, Herbert, Deputy Under Secretary of State for Economic Affairs, Department of State of United States.
QUARLES, Donald A., secrétaire des Forces aériennes des États-Unis (-avr. 1957).	QUARLES, Donald A., Secretary of Air Force of United States (-Apr.1957).
RADFORD, amiral A.W., président, Comité des chefs d'état-major des États-Unis.	RADFORD, Admiral A.W., Chairman, Joint Chiefs of Staff of United States.
RAE, Saul, ministre, ambassade aux États-Unis (oct. 1956-).	RAE, Saul, Minister, Embassy in United States (Oct. 1956-).
RAJK, Laszlo, chef communiste hongrois exécuté pour espionnage en 1949 et réhabilité en 1956.	RAJK, Laszlo, Hungarian Communist leader, executed for espionage in 1949 and rehabilitated in 1956.
RAKOSI, Matyas, premier secrétaire, Parti communiste de Hongrie.	RAKOSI, Matyas, First Secretary, Communist Party of Hungary.
RAMADIER, Paul, ministre des Affaires économiques de France.	RAMADIER, Paul, Minister of Economic Affairs of France.
RANDALL, Clarence, adjoint spécial au président des États-Unis.	RANDALL, Clarence, Special Assistant to President of United States.
RANKOVIC, Aleksandar, vice-président, Conseil exécutif fédéral de Yougoslavie; chef de la Commission fédérale yougoslave de l'énergie atomique.	RANKOVIC, Aleksandar, Vice-President, Federal Executive Council of Yugoslavia; head, Yugoslav Federal Commission for Nuclear Energy.
RAPACKI, Adam, ministre des Affaires étrangères de Pologne (oct. 1956-).	RAPACKI, Adam, Foreign Minister of Poland (Oct. 1956-).
RASMINSKY, Louis, gouverneur suppléant de la Banque du Canada et directeur exécutif canadien, FMI.	RASMINSKY, Louis, Deputy Governor of Bank of Canada and Canadian Executive Director, IMF.
RAYMONT, col. Robert Lewis, second du président du Comité des chefs d'état-major (juill. 1956-).	RAYMONT, Col. Robert Lewis, Executive Officer to Chairman of Chiefs of Staff (July 1956-).
READING, Lord, ministre d'État des Affaires étrangères du Royaume-Uni (-jan. 1957).	READING, Lord, Minister of State for Foreign Affairs of United Kingdom (-Jan. 1957).
REID, Escott, haut-commissaire en Inde.	REID, Escott, High Commissioner in India.
REINHARDT, G. Frederick, ambassadeur des États-Unis en République du Vietnam.	REINHARDT, G. Frederick, Ambassador of United States in Republic of Vietnam.
RESTON, James (Scotty), correspondant, *The New York Times*.	RESTON, James (Scotty), correspondent, *The New York Times*.
REWINKEL, Milton C., conseiller, ambassade des États-Unis.	REWINKEL, Milton C., Counsellor, Embassy of United States.

RHEE, Syngman, président de la République de Corée.	RHEE, Syngman, President of Republic of Korea.
RICHIE, M.E., agent juridique, ministère de la Justice.	RICHIE, M.E., Legal Officer, Department of Justice.
RICKETS, contre-amiral Claude V., adjoint spécial du sous-chef des opérations navales des États-Unis (-mai 1957).	RICKETS, Rear Admiral Claude V., Special Assistant to Deputy Chief of Naval Operations of United States (-May 1957).
RITCHIE, A.E., chef, Direction économique (-déc. 1956); conseiller économique, ambassade aux États-Unis.	RITCHIE, A.E., Head, Economic Division (-Dec 1956); Counsellor (Economic), Embassy in United States.
RITCHIE, C.S.A., ambassadeur en République fédérale d'Allemagne.	RITCHIE, C.S.A., Ambassador in Federal Republic of Germany.
ROBERTSON, N.A., haut-commissaire au Royaume-Uni (-avr. 1957); ambassadeur aux États-Unis (mai 1957-).	ROBERTSON, N.A., High Commissioner in United Kingdom (-Apr. 1957); Ambassador in United States.
ROBERTSON, R.G., sous-ministre des Affaires du Nord et des Ressources nationals.	ROBERTSON, R.G., Deputy Minister of Northern Affairs and National Resources.
ROBERTSON, Walter S., secrétaire d'État adjoint aux Affaires de l'Extrême-Orient, département d'État des États-Unis.	ROBERTSON, Walter S., Assistant Secretary for Far Eastern Affairs, Department of State of United States.
ROBESON, Paul, chanteur et acteur américain.	ROBESON, Paul, American concert singer and actor.
ROGERS, R.L., Direction de l'Extrême-Orient.	ROGERS, R.L., Far Eastern Division.
ROKOSSOVSKY, Konstantin, premier ministre adjoint de Pologne (-oct. 1956).	ROKOSSOVSKY, Konstantin, Deputy Premier of Poland (- Oct. 1956).
RONNING, Chester A., ambassadeur en Norvège et en Islande.	RONNING, Chester A., Ambassador in Norway and Iceland.
ROOTH, Ivar, directeur général et président du Conseil exécutif, FMI (1957-).	ROOTH, Ivar, Managing Director and Chairman of the Executive Board, IMF (1957-).
ROPER, J.C.A., premier secrétaire, ambassade du Royaume-Uni aux États-Unis.	ROPER, J.C.A., First Secretary, Embassy of United Kingdom in United States.
ROTHSCHILD, Robert, chef de cabinet, ministère des Affaires étrangères de Belgique.	ROTHSCHILD, Robert, chef de cabinet, Ministry of Foreign Affairs of Belgium.
ROUNTREE, William M., sous-secrétaire d'État adjoint aux Affaires du Proche-Orient, de l'Asie du Sud et de l'Afrique, département d'État des États-Unis (août 1956-).	ROUNTREE, William M., Deputy Assistant Secretary of State for Near Eastern, South Asian and African Affairs, Department of State of United States (Aug. 1956-).
ROWAN, sir Leslie, Conseil du Trésor du Royaume-Uni.	ROWAN, Sir Leslie, Treasury Board of United Kingdom.
ROWLEY, G.W., secrétaire, Comité consultatif sur le développement du Nord.	ROWLEY, G.W., Secretary to Advisory Committee on Northern Development.
RUIZ CORTINES, Adolfo, président de Mexique.	RUIZ CORTINES, Adolfo, President of Mexico.
RYSS, Murray, Direction des accords de commerce et des traités, Bureau des affaires économiques, département d'État des États-Unis.	RYSS, Murray, Trade Agreements and Treaties Division, Bureau of Economic Affairs, Department of State of United States.
SAAD, Ahmed Zaki, directeur exécutif égyptien, FMI.	SAAD, Ahmed Zaki, Egyptian Executive Director, IMF.

Sainsbury, G.V., deuxième secrétaire (financière), ambassade aux États-Unis.	Sainsbury, G.V., Second Secretary (Finance), Embassy in United States.
Saint-Laurent, Louis S., premier ministre.	See St. Laurent
Sandys, Duncan, ministre du Logement et du Gouvernement régional du Royaume-Uni (-jan. 1957); ministre de la Défense.	Sandys, Duncan, Minister of Housing and Local Government of United Kingdom (-Jan 1957); Minister of Defence.
Sastroamidjojo, Ali, premier ministre de l'Indonésie.	Sastroamidjojo, Ali, Prime Minister of Indonesia.
Sastroamidjojo, Usman, ambassadeur de l'Indonésie.	Sastroamidjojo, Usman, Ambassador of Indonesia.
Schaeffer, Fritz, ministre des Finances de la République fédérale d'Allemagne.	Schaeffer, Fritz, Minister of Finance of Federal Republic of Germany.
Schumann, Maurice, ministre des Affaires étrangères de France (-juin 1954).	Schumann, Maurice, Minister of Foreign Affairs of France (-June 1954).
Schwarzmann, Maurice, directeur adjoint, Direction générale des Relations commerciales internationales, ministère du Commerce.	Schwarzmann, Maurice, Assistant Director, International Trade Relations Branch, Department of Trade and Commerce.
Scott, G.A., directeur de la politique économique, ministère du Transport.	Scott, G.A., Director of Economic Policy, Department of Transport.
Scott, sir Robert, commissaire général du Royaume-Uni en Asie du Sud-Est.	Scott, Sir Robert, Commissioner General of United Kingdom in Southeast Asia.
Scribner, Fred Clark, conseiller juridique, Trésor des États-Unis (-1957); secrétaire adjoint.	Scribner, Fred Clark, General Counsel, Department of Treasury of United States (-1957); Assistant Secretary.
Seaton, Fred A., sous-adjoint au président des États-Unis (-juin 1956); secrétaire à l'Intérieur des États-Unis.	Seaton, Fred A., Deputy Assistant to President of United States (-June 56); Secretary of the Interior of United States.
Sebald, William, sous-secrétaire d'État adjoint aux Affaires de l'Extrême-Orient, département d'État des États-Unis.	Sebald, William, Deputy Assistant Secretary of State for Far Eastern Affairs, Department of State of United States.
Sen, Samar, commissaire indien et président, CISC, Laos.	Sen, Samar, Indian Commissioner and Chairman, ICSC, Laos.
Sergent, René, secrétaire général, OECE.	Sergent, René, Secretary-General, OEEC.
Seydoux, Roger, ambassadeur de France en Tunisie et au Maroc.	Seydoux, Roger, Ambassador of France in Tunisia and Morocco.
Sharett, Moshe, ministre des Affaires étrangères de l'Israël (-juin 1956).	Sharett, Moshe, Foreign Minister of Israel (-June 1956).
Sharp, M.W., sous-ministre adjoint du Commerce.	Sharp, M.W., Associate Deputy Minister of Trade and Commerce.
Shearer, Eric B., spécialiste en agriculture, Administration de la coopération internationale des États-Unis, affecté à l'ambassade des États-Unis en Espagne.	Shearer, Eric B., agricultural specialist, International Cooperation Administration of United States, assigned to Embassy of United States in Spain.
Sheldon, Huntingdon, directeur adjoint du Service de renseignement de situation, Central Intelligence Agency des États-Unis.	Sheldon, Huntingdon, Deputy Director for Current Intelligence, Central Intelligence Agency of United States.
Shepilov, Dmitri Trofimovich, rédacteur en chef, *Pravda*; (-juin 1956); ministre des Affaires étrangères de l'Union soviétique (-fév. 1957).	Shepilov, Dmitri Trofimovich, Chief Editor, *Pravda*; (-June 1956); Minister of Foreign Affairs of Soviet Union (-Feb. 1957).

Sheppard, D.H., sous-ministre adjoint (taxation), ministère du Revenu national.	Sheppard, D.H., Assistant Deputy Minister (Taxation), Department of National Revenue.
Shigomitsu, Mamoru, ministre des Affaires étrangères du Japon.	Shigomitsu, Mamoru, Minister of Foreign Affairs of Japan.
Sicotte, Gilles, Direction juridique.	Sicotte, Gilles, Legal Division.
Sieradski, Mieczyslaw, chargé d'Affaires, légation de Pologne (déc. 1956-).	Sieradski, Mieczyslaw, Chargé d'affaires, Legation of Poland (Dec. 1956-).
Sihanouk, Prince Norodom, premier minister et ministre des Affaires étrangères du Cambodge (-jan. 1956); premier minister, ministre des Affaires étrangères et ministre de l'Intérieur (mars-avr. 1956); premier ministre (sept.-oct. 1956); premier ministre, ministre des Affaires étrangères, ministre de Planification et ministre de l'Intérieur (avr. 1957-).	Sihanouk, Prince Norodom, Prime Minister and Foreign Minister of Cambodia (-Jan. 1956); Prime Minister, Foreign Minister and Minister of the Interior (Mar-Apr.1956); Prime Minister (Sept.-Oct. 1956); Prime Minister, Foreign Minister, Minister of Plans and Minister of the Interior (Apr.1957-).
Sim, Finlay, ministère du Commerce.	Sim, Finlay, Department of Trade and Commerce.
Sinclair, James, ministre des Pêcheries.	Sinclair, James, Minister of Fisheries.
Sisouk, Na Champassak, membre de la délégation du gouvernement du Laos chargée des pourparlers avec le Pathet Lao.	Sisouk, Na Champassak, Member, Royal Lao Government's Delegation for talks with Pathet Lao.
Slánksy, Rudolf Salzmann, vice-premier ministre de Tchécoslovaquie de 1948 à 1951, accusé de trahison et exécuté le 3 décembre 1952.	Slánksy, Rudolf Salzmann, Vice Premier of Czechoslovakia 1948-1951, charged with treason and executed December 3, 1952.
Slemon, maréchal de l'air C.R., chef d'etat-major aérien.	Slemon, Air Marshal C.R., Chief of Air Staff.
Smathers, Senator George A. (D-Floride); président, sous-commission sur le commerce inter-État et extérieur, Sénat des États-Unis.	Smathers, Senator George A. (D-Florida); Chairman, Sub-Committee of the Committee on Interstate and Foreign Commerce, Senate of United States.
Smith, Arnold, commissaire canadien, CISC, Cambodge (-juill. 1956); conseiller, haut-commissariat au Royaume-Uni.	Smith, Arnold, Commissioner, ICSC, Cambodia (-July 1956); Counsellor, High Commission in United Kingdom.
Smith, C.E.S., directeur de l'Immigration, ministère de la Citoyenneté et de l'Immigration.	Smith, C.E.S., Director of Immigration, Department of Citizenship and Immigration.
Smith, Gerard, adjoint spécial au secrétaire d'État des États-Unis sur les questions atomiques.	Smith, Gerard, Special Assistant for Atomic Affairs to Secretary of State of United States.
Snoy et d'Oppuers, Baron Jean-Charles, président, Conseil pour l'union économique et premier délégué belge du Comité intergouvernemental, OECE.	Snoy et d'Oppuers, Baron Jean-Charles, Chairman, Council for Economic Union and Chief Belgian Delegate to the Intergovernmental Committee, OEEC.
Sol, Jorge, directeur exécutif suppléant du Salvador, FMI (-oct. 1956); directeur exécutif (nov. 1956-).	Sol, Jorge, El Salvador Alternate Executive Director, IMF (-Oct. 1956); Executive Director (Nov. 1956-).
Southard, Frank, directeur exécutif américain, FMI.	Southard, Frank, United States Executive Director, IMF.
Souvanna Phouma, premier ministre du Laos.	Souvanna Phouma, Prime Minister of Laos.
Souphanouvong, Prince, homme politique laotien et aspirant au poste de premier ministre du Laos.	Souvanouvong, Prince, Laotian politician and contender for position of Prime Minister of Laos.

SPAAK, Paul-Henri, ministre des Affaires étrangères de Belgique (-mai 1957); secrétaire général de l'OTAN.	SPAAK, Paul-Henri, Minister of Foreign Affairs of Belgium (-May 1957); Secretary-General of NATO.
SPARLING, major-général H.A., président, état-major interarmes du Canada aux États-Unis.	SPARLING, Maj.-Gen. H.A., Chairman, Canadian Joint Staff in United States.
SPENDER, sir Percy, ambassadeur de l'Australie aux États-Unis et chef adjoint de la délégation de l'Australie à la Assemblée générale des Nations Unies.	SPENDER, Sir Percy, Ambassador of Australia in United States and Vice-Chairman, Delegation of Australia to United Nations General Assembly.
SPYCHALSKI, Marian, ministre de la Défense de Pologne.	SPYCHALSKI, Marian, Minister of Defence of Poland.
STALIN, Josef, secrétaire général, Parti communiste de l'Union soviétique (mort mars 1953).	STALIN, Josef, General Secretary, Communist Party of Soviet Union (died Mar. 1953).
STANBURY, William Stuart, commissaire national, Société canadienne de la Croix-Rouge.	STANBURY, Dr. William Stuart, National Commissioner, Canadian Red Cross Society.
STEPHENSON, sir Hugh S., ambassadeur du Royaume-Uni en République du Vietnam.	STEPHENSON, Sir Hugh S., Ambassador of United Kingdom in Republic of Vietnam.
STEVENSON, Adlai, candidat démocrate à la présidence des États-Unis.	STEVENSON, Adlai, Democratic candidate for President of the United States.
STEVENSON, William, correspondant, *Toronto Star*.	STEVENSON, William, correspondent, *Toronto Star*.
STEWART, Hugh A., directeur, Bureau du pétrole et du gaz, département de l'Intérieur des États-Unis.	STEWART, Hugh A., Director, Office of Oil and Gas, Department of Interior of United States.
VOIR SAINT-LAURENT.	ST-LAURENT, Louis S., Prime Minister.
STONE, Thomas A., ambassadeur aux Pays-Bas.	STONE, Thomas A., Ambassador in the Netherlands.
STONER, O.G., Direction économique (-oct.1956); premier secrétaire, ambassade en Belgique.	STONER, O.G., Economic Division (-Oct.1956); First Secretary, Embassy in Belgium.
STRATH, William, membre, Atomic Energy Authority du Royaume-Uni.	STRATH, William, Member, Atomic Energy Authority of United Kingdom.
STRAUSS, amiral Lewis L., président, United States Atomic Energy Commission.	STRAUSS, Admiral Lewis L., Chairman, United States Atomic Energy Commission.
STROUNNIKOV, Petr F., conseiller, ambassade de l'Union soviétique.	STROUNNIKOV, Petr F., Counsellor, Embassy of Soviet Union.
STUART, R. Douglas, ambassadeur des États-Unis (-juin 1956).	STUART, R. Douglas, Ambassador of United States (-June 1956).
STUMP, amiral Felix B., commandant en chef, Commandement du Pacifique, United States Navy.	STUMP, Admiral Felix B., Commander in Chief, Pacific Command, United States Navy.
SUKARNO, président de l'Indonésie.	SUKARNO, President of Indonesia.
SULZBERGER, C.L., chroniqueur, *The New York Times*.	SULZBERGER, C.L., columnist, *The New York Times*.
SUMMERS, George Bernard, chargé d'Affaires, légation en Tchécoslovaquie.	SUMMERS, George Bernard, Chargé d'affaires, Legation in Czechoslovakia.
SUTHERLAND, E.M., secrétaire, section canadienne, Commission mixte internationale.	SUTHERLAND, E.M., Secretary, Canadian Section, IJC.
SZUSTER, R., deuxième secrétaire, légation de Pologne.	SZUSTER, R., Second Secretary, Legation of Poland.

SZYMANOWSKI, A., commissaire polonaise, CISC, Vietnam (sept. 1956-).	SZYMANOWSKI, A., Polish Commissioner, ICSC, Vietnam (Sept. 1956-).
TALBOT, Lord, ambassadeur du Royaume-Uni au Laos.	TALBOT, Lord, Ambassador of United Kingdom in Laos.
TAYLOR, D.R., deuxième secrétaire, ambassade aux États-Unis.	TAYLOR, D.R., Second Secretary, Embassy in United States.
TAYLOR, E.P., président, Argus Corporation, président du conseil, Canadian Breweries Ltd., homme d'affaires possédant d'importants avoirs au Canada.	TAYLOR, E.P.,President, Argus Corporation, Chairman, Canadian Breweries Ltd. and businessman with extensive holdings in Canada.
TAYLOR, James H. (Si), conseiller politique au commissaire canadien, CISC, Vietnam (-août 1956); deuxième secrétaire, haut-commissariat en Inde.	TAYLOR, James H. (Si), Political Adviser to Canadian Commissioner, ICSC, Vietnam (-Aug 1956); Second Secretary, High Commission in India.
TAYLOR, K.W., sous-ministre des Finances.	TAYLOR, K.W., Deputy Minister of Finance.
TCHANG KAI-CHEK, général, président de la République de Chine.	SEE CHIANG KAI-SHEK.
TCHOU EN-LAI, premier ministre et ministre des Affaires étrangères de la République populaire de Chine.	SEE CHOU EN-LAI.
TEAKLES, J.M., conseiller, haut-commissariat en Inde (sept. 1956-).	TEAKLES, J.M., Counsellor, High Commission in India (Sept. 1956-).
TEMPLER, maréchal sir Gerald W.R., chef d'état-major impérial du Royaume-Uni.	TEMPLER, Field Marshall Sir Gerald W. R., Chief, Imperial General Staff of United Kingdom.
TEPPEMA, Joseph M.C., secrétaire de la Chambre de commerce, 's Hertogenbusch, Pays-Bas.	TEPPEMA, Joseph M.C., Secretary of Chamber of Commerce, 's Hertogenbusch, Netherlands.
THIBODEAUX, Ben H., directeur, Bureau du commerce international et des ressources, Bureau des Affaires économiques, département d'État des États-Unis (-mars 1957) ,conseiller économique, ambassade des États-Unis au Japon (-mai 1957) ; ministre-conseiller pour les Affaires économiques.	THIBODEAUX, Ben H.,Director, Office of International Trade and Resources, Bureau of Economic Affairs, Department of State of United States (-Mar. 1957); Economic Counsellor, Embassy of the United States in Japan (-May 1957); Minister-Counsellor of Economic Affairs.
THOMPSON, Tyler, ministre, ambassade des États-Unis.	THOMPSON, Tyler, Minister, Embassy of United States.
THORNEYCROFT, Peter, président, Chambre de commerce du Royaume-Uni (-jan. 1957); chancelier de l'Échiquier.	THORNEYCROFT, Peter, President, Board of Trade of United Kingdom (-Jan.1957); Chancellor of the Exchequer.
TIMMONS, Benson E.L. III, directeur, Bureau des Affaires régionales européennes, département d'État des États-Unis.	TIMMONS, Benson E.L. III, Director, Office of European Regional Affairs, Department of State of United States.
TITO, maréchal Josip Broz, président de Yougoslavie.	TITO, Marshal Josip Broz, President of Yugoslavia.
TOMLINSON, Frank S., chef, département des Affaires d'Asie du Sud-Est, Foreign Office du Royaume-Uni.	TOMLINSON, Frank S., Head, South East Asia Department, Foreign Office of United Kingdom.
TOUSSAINT, Maurice, directeur exécutif suppléant belgien, FMI.	TOUSSAINT, Maurice, Belgian Alternate Executive Director, IMF.

TOVELL, Freeman, premier secrétaire, ambassade aux États-Unis.

TRAMPCZYNSKI, Witold, ministre du Commerce étrangère de Pologne (déc. 1956-).

TRAN VAN HUU, premier ministre du Vietnam (mai 1950-juin 1952).

TWINING, général, Nathan F., chef d'état-major, USAF.

UNGER, Leonard, chef des affaires politiques et militaires, Bureau des Affaires régionales européennes, département d'État des États-Unis.

UREN, Philip E., conseiller, ambassade aux États-Unis.

URQUHART, Gordon B., sous-ministre adjoint (douane), ministère du Revenu national.

VALÉRY, François, chef, Direction de coopération économique, ministère des Affaires extérieures de la France.

VAN CAMPENHOUT, André, directeur exécutif belgien, FMI.

VARCOE, F.P., sous-ministre de la Justice et Procureur général suppléant.

VEST, George, Bureau des Affaires du Commonwealth britannique et d'Europe nord, département d'État des États-Unis.

VISHINSKY, Andrei Y., premier sous-ministre des Affaires étrangères de l'Union soviétique, représentant permanent auprès des Nations Unies et représentant au Conseil de sécurité (mars 1953-nov. 1954).

VO NGUYEN GIAP, général, ministre de la Défense et vice-premier ministre de la République démocratique du Vietnam.

VOCKE, Wilhelm, gouverneur allemand, FMI; président, Conseil de direction et vice-président du Conseil d'administration de la *Bank Deutscher Länder*.

VOGEL, G. N., chef, Division du blé et des céréales, ministère du Commerce.

VOROSHILOV, Klimentiy Efremovich, président, Praesidium du Soviet Suprême de l'Union soviétique.

WADA, Tsutomu, premier secrétaire, ambassade du Japon.

WALDHEIM, Dr. Kurt, ministre de l'Autriche.

WALKER, John, correspondant, Southam News, Washington.

WAN WAITHAYAKON, Prince K.N.B., ministre des Affaires étrangères de Thaïlande.

TOVELL, Freeman, First Secretary, Embassy in United States.

TRAMPCZYNSKI, Witold, Minister of Foreign Trade of Poland (Dec. 1956-).

TRAN VAN HUU, Prime Minister of Vietnam (May 1950-June 1952).

TWINING, General Nathan F., Chief of Staff, USAF.

UNGER, Leonard, Officer-in-charge of Political-Military Affairs, Office of European Regional Affairs, Department of State of United States.

UREN, Philip E., Counsellor, Embassy in United States.

URQUHART, Gordon B., Assistant Deputy Minister (Customs), Department of National Revenue.

VALÉRY, François, Head, Division of Economic Cooperation, Ministry of Foreign Affairs of France.

VAN CAMPENHOUT, André, Belgian Executive Director, IMF.

VARCOE, F.P., Deputy Minister of Justice and Deputy Attorney General.

VEST, George, Office of British Commonwealth and Northern European Affairs, Department of State of United States.

VISHINSKY, Andrei Y., First Deputy Minister of Foreign Affairs of Soviet Union, Permanent representative to United Nations and Representative on Security Council (Mar. 1953-Nov. 1954).

VO NGUYEN GIAP, General, Minister of Defence and Vice-Premier, Democratic Republic of Vietnam.

VOCKE, Wilhelm, German Governor, IMF; President, Board of Managers and Vice-President of Board of Directors of *Bank Deutscher Länder*.

VOGEL, G. N., Chief, Wheat and Grain Division, Department of Trade and Commerce.

VOROSHILOV, Klimentiy Efremovich, Chairman, Praesidium of Supreme Soviet of Soviet Union.

WADA, Tsutomu, First Secretary, Embassy of Japan.

WALDHEIM, Dr. Kurt, Minister of Austria.

WALKER, John, correspondent, Southam News, Washington.

WAN WAITHAYAKON, Prince K.N.B., Minister of Foreign Affairs of Thailand.

WARREN, J.H., directeur suppléant canadien, FMI (-mars 1957); conseiller, délégation auprès de l'OECE (avr. 1957-).	WARREN, J.H., Alternate Canadian Executive Director, IMF and IBRD (-Mar. 1957); Counsellor, Delegation to OEEC (Apr. 1957-).
WATANABE, Takeshi, directeur exécutif japonais, FMI (nov. 1956-).	WATANABE, Takeshi, Japanese Executive Director, IMF (Nov. 1956-).
WATKINS, J.B.C., ambassadeur en Union soviétique (-avr. 1956); chef, direction du Commonwealth et du Moyen-Orient (-juin 1956); sous-secrétaire d'État adjoint aux Affaires extérieures.	WATKINS, J.B.C., Ambassador in Soviet Union (-Apr. 1956); Head, Commonwealth and Middle East Division (-June 1956); Assistant Under-Secretary of State for External Affairs.
WATSON, D., secrétaore, Énergie atomique du Canada Ltée.	WATSON, D., Secretary, Atomic Energy of Canada Ltd.
WEEKS, Sinclair, secrétaire au Commerce des États-Unis.	WEEKS, Sinclair, Secretary of Commerce of United States.
WEISER, F.P., ministère du Commerce.	WEISER, F.P., Department of Trade and Commerce.
WEISS, Leonard, chef adjoint, Direction des accords de commerce et des traités, Bureau des affaires économiques, département d'État des États-Unis.	WEISS, Leonard, Assistant Chief, Trade Agreements and Treaties Division, Bureau of Economic Affairs, Department of State of United States.
WELCK, Baron Wolfgang von, ministre-directeur et chef, département des Affaires internationales, ministère des Affaires étrangères de la République fédérale d'Allemagne.	WELCK, Baron Wolfgang von, Director-Minister and Head, Department of International Affairs, Ministry of Foreign Affairs of Federal Republic of Germany.
WERSHOF, M.H., sous-secrétaire d'État adjoint aux Affaires extérieures et conseiller juridique (-déc. 1956); représentant permanent auprès du Bureau européen des Nations Unies.	WERSHOF, M.H., Assistant Under-Secretary of State for External Affairs and Legal Adviser (-Dec. 1956); Permanent Representative to the European Office of the United Nations.
WHITE, général Thomas D., chef d'état-major suppléant, USAF.	WHITE, General Thomas D., Deputy Chief of Staff, USAF.
WILGRESS, L. D., représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE.	WILGRESS, L. D., Permanent Representative to North Atlantic Council and OEEC.
WILKINS, Fraser, directeur, Bureau des Affaires du Proche-Orient, département d'État des États-Unis.	WILKINS, Fraser, Director, Office of Near Eastern Affairs, Department of State of United States.
WILLIAMS, B.M., conseiller, haut-commissariat en Inde, commissaire canadien suppléant, CISC, Vietnam (-fév.1956); commissaire par intérim, CISC, Vietnam (mai 1956-); commissaire (-fév. 1957).	WILLIAMS, B.M., Counsellor, High Commission in India, Alternate to Canadian Commissioner, ICSC, Vietnam (-Feb.1956), Acting Commissioner, ICSC, Vietnam (May 1956-); Commissioner (-Feb. 1957).
WILLIAMS, major. E.J., état-major interarmes du Canada aux États-Unis.	WILLIAMS, Maj. E.J., Canadian Joint Staff in United States.
WILLIS, George, directeur, Bureau des finances internationales, département du Trésor, États-Unis.	WILLIS, George H., Director, Office of International Finance, Department of Treasury of United States.
WILLISTON, Ray, ministre des Terres et des Forêts de la Colombie-Britannique.	WILLISTON, Ray, Minister of Lands and Forests of British Columbia.
WILSON, Charles, secrétaire à la Défense des États-Unis.	WILSON, Charles, Secretary of Defense of United States.

WILSON, Dr. C.F., conseiller (commercial), ambassade au Danemark.	WILSON, Dr. C.F., Counsellor (Commercial), Embassy in Denmark.
WINIEWICZ, Jozef, sous-ministre des Affaires étrangères de Pologne.	WINIEWICZ, Jozef, Deputy Minister of Foreign Affairs of Poland.
WINTERS, Robert, ministre des Travaux publiques.	WINTERS, Robert, Minister of Public Works.
WOLNIAK, Zygfrd, commissaire polonais, CISC, Cambodge.	WOLNIAK, Zygfrd, Polish Commissioner, ICSC, Cambodia.
WRIGHT, Dennis, sous-secrétaire adjoint, Foreign Office du Royaume-Uni.	WRIGHT, Dennis, Assistant Under-Secretary, Foreign Office of United Kingdom.
WYNDHAM WHITE, Eric, Secrétaire exécutif du GATT.	WYNDHAM WHITE, Eric, Executive Secretary, GATT.
WYSZYNSKI, Stefan Cardinal, primat de l'Église catholique romaine de Pologne.	WYSZYNSKI, Stefan Cardinal, Roman Catholic Primate of Poland.
YINGLING, R.T., conseiller juridique adjoint, département d'État des États-Unis.	YINGLING, R.T., Assistant Legal Adviser, Department of State of United States.
YOST, C.W., ambassadeur des États-Unis au Laos (-juin 1956); conseiller, ambassade des États-Unis en France (-oct. 1956); ministre-conseiller.	YOST, C.W., Ambassador of United States in Laos (-June 1956); Counsellor, United States Embassy in France (-Oct. 1956); Minister-Counsellor.
YOUNG, Kenneth, directeur, Bureau des Affaires de l'Asie du Sud-Est, département d'État des États-Unis.	YOUNG, Kenneth, Director, Office of Southeast Asian Affairs, Department of State of United States.
YUGOV, Anton, premier ministre de Bulgarie (1956-).	YUGOV, Anton, Prime Minister of Bulgaria (1956-).
ZAMYATIN, Leonid M., premier secrétaire, mission permanente de l'Union soviétique auprès des Nations Unies.	ZAMYATIN, Leonid M., First Secretary, Permanent Mission of Soviet Union to United Nations.
ZAWADSKI, Aleksander, membre du Bureau politique et du Comité central du Parti ouvrier unifié (communiste) de Pologne.	ZAWADSKI, Aleksander, member of Political Bureau and of the Central Committee of United Workers Party (Communist) of Poland.
ZHARKOV, Aleksi, vice-ministre des Affaires étrangères de l'Union soviétique.	ZHARKOV, Aleksei, Vice-Minister of Foreign Affairs of Soviet Union.
ZHUKOV, maréchal Giorgi K., candidat à Praesidium du Soviet suprême de l'Union soviétique et ministre de la Défense.	ZHUKOV, Marshal Giorgi K., Candidate member of Praesidium of Supreme Soviet of Soviet Union and Minister of Defence.
ZIMMERMAN, A.H., président, Conseil de recherches pour la défense.	ZIMMERMAN, A.H., Chairman, Defence Research Board.

ILLUSTRATIONS

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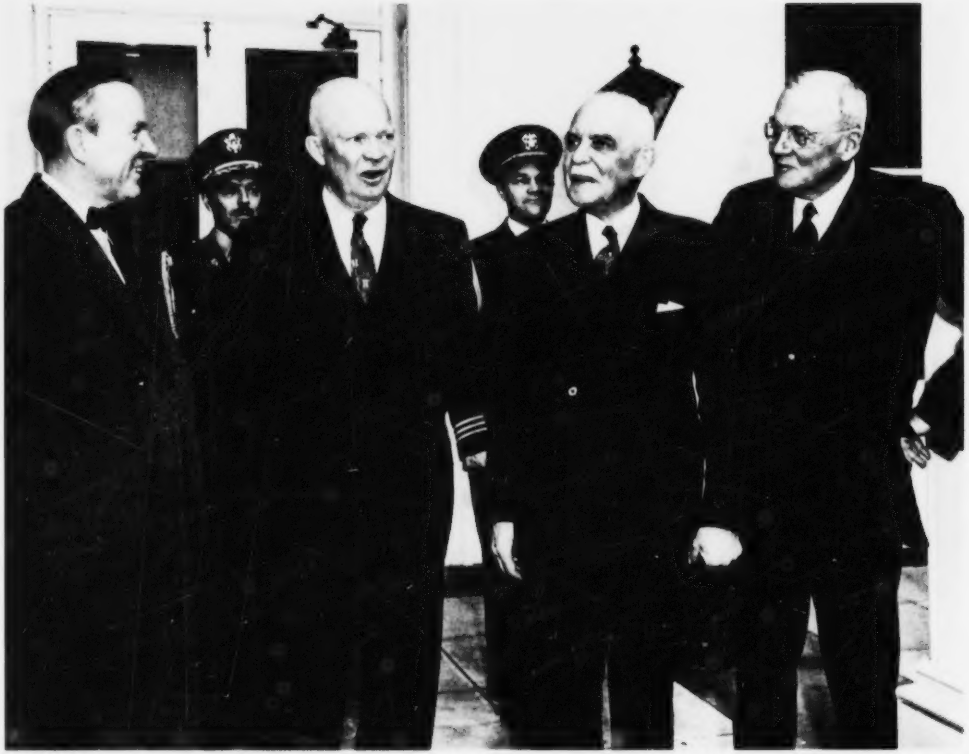
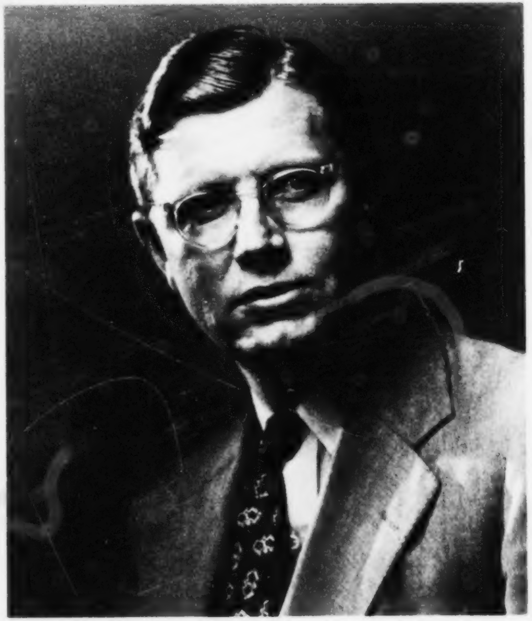


PA 187689

White Sulphur Springs, Georgia, March 1956. From left to right: Lester B. Pearson, Dwight D. Eisenhower, Louis St. Laurent, and John Foster Dulles.

White Sulphur Springs, Géorgie, mars 1956. De gauche à droite : Lester B. Pearson, Dwight D. Eisenhower, Louis Saint-Laurent et John Foster Dulles.

PA 129256
Walter Harris, Minister of Finance, December 1956.
Walter Harris, ministre des Finances, décembre 1956.



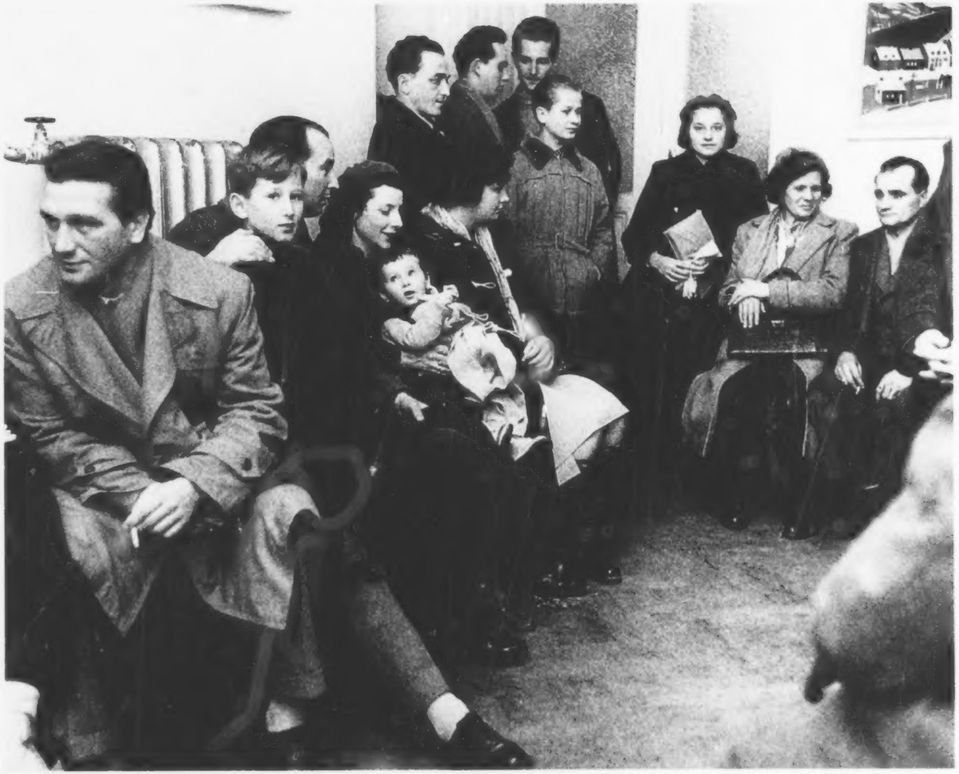
PA 134317
Herbert Norman, Ambassador to Egypt.
Herbert Norman, ambassadeur en Égypte.

UPPER
LOWER
POWERHOUSE
INTERNATIONAL

PA 112925

Lionel Chevrier, President of the St. Lawrence Seaway Authority.

Lionel Chevrier, président de l'Administration de la voie maritime du Saint-Laurent.



PA 124953

Hungarian refugees wait their turn to be processed at the Legation of Canada in Vienna, Austria. 1956.

Des réfugiés hongrois attendent leur tour à la légation du Canada à Vienne, en Autriche. 1956.

PA 147725

J.W. Pickersgill, Minister of Citizenship and Immigration (right), with the Dean of Sopron University of Budapest, Montreal, Quebec, 1957.

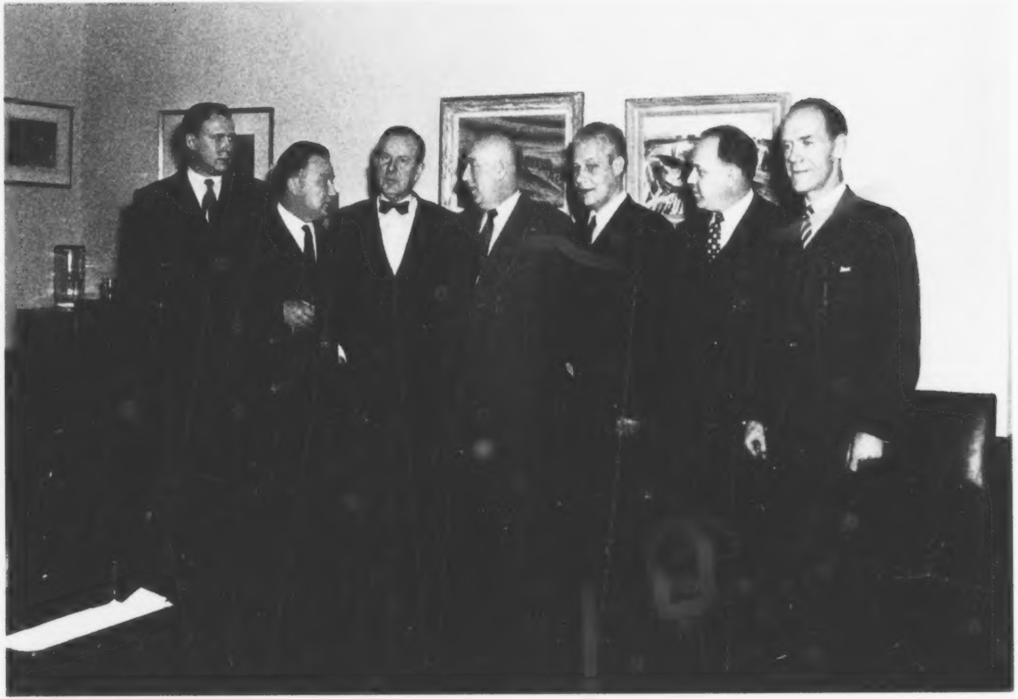
J.W. Pickersgill, ministre de la Citoyenneté et de l'Immigration (à droite) en compagnie du doyen de l'Université Sopron de Budapest, Montréal, Québec, 1957.

A WINDOW ON THE NORTH

PA 129250

R.A.D. Ford, Head of European Division, Ottawa, September 10, 1956, holding a copy of *A Window on the North* for which he received the Governor General's Award for Poetry in 1956.

R.A.D. Ford, chef de la Division européenne, Ottawa, 10 septembre 1956, tenant un exemplaire de *A Window on the North* qui lui a valu le Prix du Gouverneur général en poésie en 1956.



PA 142565

Lester B. Pearson (third from left) and Mitchell Sharp, the Associate Deputy Minister of Trade and Commerce (far right), pose with members of the Soviet Trade Delegation, Ottawa, February 2, 1956.

Lester B. Pearson (troisième à partir de la gauche) et Mitchell Sharp, le sous-ministre délégué du Commerce (à l'extrême droite) en compagnie de membres de la délégation commerciale soviétique. Ottawa, 2 février 1956.

PA 151203

Members of the Canadian Delegation to the International Commission for Supervision and Control in Vietnam at a headquarters meeting, August 9, 1956.

Les membres de la délégation canadienne auprès de la Commission internationale de surveillance et de contrôle au Vietnam lors d'une réunion à l'Administration centrale, 9 août 1956.

VIETNAM SOUTH

PA 146524

Senior military advisors to the International Commission for Supervision and Control in Vietnam discuss the location of fixed investigation teams. Left to right: Colonel J. Bryn (Poland), Brigadier M.S. Dunn (Canada), and Major-General D.S. Bar (India), July 16, 1956.

Les conseillers militaires principaux auprès de la Commission internationale de surveillance et de contrôle au Vietnam discutent de l'emplacement des équipes fixes chargées des enquêtes. De gauche à droite : colonel J. Bryn (Pologne), brigadier M.S. Dunn (Canada) et major-général D.S. Bar (Inde), 16 juillet 1956.

PA 143197

Paul Martin, Minister of Health and Welfare (left) talking with President Ngo Dinh Diem of the Republic of Vietnam, Saigon, November 19, 1956.

Paul Martin, ministre de la Santé et du Bien-être social (à gauche), s'entretient avec le président Ngo Dinh Diem de la République du Vietnam, Saïgon, 19 novembre 1956.

PA 201867

Louis St. Laurent (middle) with President Sukarno (left) of Indonesia.

Louis Saint-Laurent (au milieu) en compagnie du président Sukarno (à gauche) de l'Indonésie.

CHAPITRE PREMIER/CHAPTER I

ÉTATS-UNIS
UNITED STATES

PREMIÈRE PARTIE/PART 1

VISITE DU PREMIER MINISTRE SAINT-LAURENT À WHITE SULPHUR SPRINGS, LE 26-27 MARS 1956
VISIT OF PRIME MINISTER ST-LAURENT TO WHITE SULPHUR SPRINGS, MARCH 26-27, 1956

1. DEA/50329-40

Note du secrétaire d'État aux Affaires extérieures pour le premier ministre

Memorandum from Secretary of State for External Affairs to Prime Minister

CONFIDENTIAL Ottawa, January 25, 1956

PROPOSED MEETING IN WASHINGTON: CANADA, UNITED STATES AND MEXICO

You may recall that President Eisenhower last October proposed a meeting in Washington to be held this Spring with the President of Mexico and yourself to discuss generally continental affairs. At that time you agreed, "en principe", to attend the meeting, subject to confirmation at a later date when more would be known about the President's health and your own timetable.

The United States confirmation has arrived. Mr. Heeney reports (his telegram no. 118† is attached) that President Eisenhower would like to invite you and President Ruiz Cortines of Mexico to make a visit of approximately two and a half days, from Monday, March 26, to Wednesday, March 28, inclusive. You would leave Washington at your own convenience on Thursday. A suggested programme is included in Mr. Heeney's telegram.

Mr. Heeney had dinner with Mr. Dulles last night and they discussed the proposed meeting. Mr. Heeney has the definite impression that the idea of such a meeting did not originate with the State Department but with the President personally. He also believes that if the dates suggested in the attached telegram do not suit you it might be possible to have them changed, although the President of Mexico would also have to be free at any new time you might wish to suggest. This being an initiative of the President makes the decision more complicated. As you know, Mr. Eisenhower came to Ottawa in December 1953 while your last visit to Washington was in May 1953.[1]

The proposal for a tripartite meeting has a number of disadvantages. As formal visits of the Canadian Prime Minister to Washington recently have occurred only every two or three years, it is unfortunate that the proposed visit should take place in the rather artificial framework of North American continental affairs. Because of the participation of the Mexicans this visit could tend to take on more of a ceremonial character and less of a general exchange of views than we would hope for. Mr. Heeney pointed out, however, that the President might be interested in suggesting that the meeting be held outside Washington, perhaps in some Army post. This would be much more informal and possibly conducive to a more relaxed atmosphere.

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[1] Voir volume 19, chapitre VIII, 3^{e} partie.
See Volume 19, Chapter VIII, Part 3.

I think that the invitation could be refused; on the other hand, because of President Eisenhower's personal interest in the matter, it is rather difficult to suggest that you do so. If you accept I think we should emphasize that the number and intimacy of Canadian and United States common interests suggest that an opportunity be given for you to have some private conversations with the President.

If you decide to accept, a telegram to Mr. Heeney is attached for your approval instructing him to assure Mr. Dulles that you will be glad to accept the President's formal invitation as soon as it is convened.

Mr. Heeney notes that the invitation includes me and assumes that I shall accompany you. I would be delighted to do that, particularly in view of the fact that Mr. Dulles, if the present dates are satisfactory, would have just returned from his tour to the Far East.

L.B. PEARSON

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2. DEA/50329-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM X-179 Ottawa, January 31, 1956

CONFIDENTIAL

Reference: Your telegram No. 118 of January 21.

PROPOSED VISIT TO WASHINGTON OF PRIME MINISTER AND PRESIDENT OF MEXICO

Would you please assure Mr. Dulles that the Prime Minister will be happy to accept the President's invitation to visit Washington in March, jointly with the President of Mexico.

2. We feel no enthusiasm for the tripartite aspect of the visit. However, if the President and Mr. Dulles have their minds set on this meeting, as is evident from your telegram and subsequent telephone conversation, we have no option but to accept gracefully and go through with it.

3. In conveying the Prime Minister's willingness to accept the invitation, you might, however, point out that there are some disadvantages from the Canadian point of view in the proposed tripartite meeting, and that the present formula should not be invoked as a precedent in future years. Because of the presence of the Mexicans, I fear that the visit will tend to be largely ceremonial in character without the opportunities for a frank exchange of views which we particularly value. Canadian-American relations are so numerous and so intimate that we feel that consultations should normally be bilateral in character, when they do not take place in an international body such as NATO or the United Nations.

4. In order to avoid or at least reduce the ceremonial character of a meeting of this sort if held in Washington, you might wish to explore further with Mr. Dulles the possibility that the meeting or part of it be held outside Washington if that suited the President. This would

allow Mr. St-Laurent to talk in a relaxed and informal way with the President. Possibly the ceremonial aspects of the joint visit could be reduced to a minimum; since the Mexican President is a Head of State it is likely that honours will have to be paid to him over and above those to the Prime Minister. With the undoubted good faith and good intentions of the United States, the ceremonial arrangements could possibly develop in a way that could be misunderstood here and this should be avoided.

5. One way to help minimize the ceremonial aspect, and I shall be grateful if you will explore this, would be to separate the respective arrivals and departures by one day. So far as mere timing is concerned the Prime Minister does not really care whether he arrives Sunday or Monday. But, if he were to arrive Sunday and the Mexican President made his ceremonial arrival twenty-four hours later, the Prime Minister might in the interim have an excellent opportunity to talk with Mr. Eisenhower. (If Mr. Eisenhower preferred to do this outside Washington, e.g. Gettysburg, it would please Mr. St-Laurent very much.) Then the inevitable joint ceremonies could proceed Monday and if necessary Tuesday, and the Prime Minister could depart, leaving the field clear for the Mexican President who would presumably stay another twenty-four hours.

6. The Prime Minister, if he had his choice, would prefer to leave to the Mexican President alone the privilege of addressing Congress. He realizes, however, that it may well be impossible to decline the suggestion of a "double bill" at a joint session of Senate and House. He leaves this in your hands.

7. Private talks between Mr. Dulles and myself would be useful, and I agree that we should try to make some preparations for these in advance.

L.B. PEARSON

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3. DEA/50329-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 207 Washington, February 3, 1956

CONFIDENTIAL

Reference: Your telegram X-179 of Jan 31.

PROPOSED VISIT TO WASHINGTON OF PRIME MINISTER AND PRESIDENT OF MEXICO

This afternoon I conveyed to the Secretary of State, the Prime Minister's acceptance of the President's invitation.

2. On a personal basis I was able at the same time to convey, without discourtesy I trust, some impression of our lack of enthusiasm for a proposal which would appear to equate the relations between the United States and Canada and the United States and Mexico. In explanation I said that Canadians were naturally somewhat jealous of the especially intimate association existing between our two countries — this without intending any reflection whatever upon the Mexicans. Dulles said that he quite understood.

3. When I went on to suggest the possibility of separating the respective arrivals and departures, Dulles seemed to think that something might be done particularly regarding

arrival; it might be desirable to make the departure simultaneous. However, he would wish to take this and other features of the proposed visit up with the President in the light of our reply. Incidentally, Dulles added that had the President or he thought that there would be any reluctance on the Canadian side to participate in a three-cornered visit they would not have approached the Mexicans. The intimations he had received in Ottawa last autumn gave no hint of this.

4. If the plan goes forward I think it now quite likely that the President will suggest somewhere south of Washington, for the meeting. This would certainly reduce problems of protocol and make the occasion a good deal more informal.

5. I will, of course, let you know at once as soon as I hear again from the Secretary of State.

[A.D.P.] HEENEY

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4. DEA/50329-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 601 Washington, March 28, 1956

CONFIDENTIAL. IMPORTANT.

WHITE SULPHUR SPRINGS MEETING

On Tuesday morning we met formally in the President's sitting room for an hour and a quarter's discussion of the state of the world.

2. Mr. Dulles led off with a lengthy survey of impressions gained on his recent trip. He had not previously realized, he said, the extent to which the new countries of Asia, though they had gained their independence, were still deeply involved in building their constitutions. Of their intense interest in economic development, he said that this may well have come without the Soviet impact, but the latter had intensified it. The Soviet Union had itself made economic progress because it had coal and iron and a totalitarian system of labour which could force men to produce more than free labour. This combination of circumstances was not likely to be reproduced in other countries.

3. Although he stressed the importance of economic assistance, Mr. Dulles said he was not too much concerned over Soviet economic policy in Asia. What was much more dangerous and difficult to meet was their tactic of sowing hatred among peoples. He cited Soviet interference in the Middle East to exaggerate Arab hopes and Israeli fears and thereby create a dangerous situation. He blamed Bulganin and Khrushchev for rousing Indian fears of Pakistan. The situation in Kashmir was not as dangerous as that in Palestine, but it had the same element.

4. On the whole Mr. Dulles said he had found the assets of the free world in South Asia greater than he had expected. He spoke particularly of his satisfaction with the fact that a new Indonesian government had been formed without the Communists. He touched on the theme of the United States common experience with Indonesia as former colonies and admitted that by expressing these sentiments he had got "in Dutch with the Dutch". This illustrated, he said, the difficulties of showing understanding and sympathy with countries

which had won or were seeking self determination while maintaining good relations in NATO. Nevertheless countries like Canada, Mexico, and the United States which had developed from colonial status, Canada by evolution and the other two by "more turbulent means", could share our experience and understanding with these new countries. The colonial powers for the most part did recognize the trend, he said, and paid special tribute to British policy in South Asia and Africa.

5. Mr. Dulles finished his report by speaking of the new vitality he had found in Japan. They seemed to have shaken off their former lethargy and were displaying a new interest in international affairs and a desire to play an active role in the world.

6. In conclusion Mr. Dulles said the three North American countries could play a very important role, particularly in relation to the newly developing area. Perhaps, he admitted, the smaller powers could have more effective influence than the larger because their motives were less suspect. One hundred and fifty years ago the United States, by reason of the moral influence of the American revolution, had exerted more influence in the world than had the Great Powers of that time.

7. Mr. St. Laurent said that he had gained much the same impression on his trip to Asia two years ago,[2] as had Mr. Dulles. He went on to ask for an opinion on the probability of serious conflict in the Middle East. In reply, Mr. Eisenhower said there were two certainties about the situation. The first was that the Israelis, rightly or wrongly, were convinced they were going to be attacked. The second was that Western Europe, perhaps Western civilization, had become more and more dependent on Middle Eastern oil. It was hard to reconcile these two factors.

8. Mr. Padillo Nervo then spoke of the necessity of mobilizing the moral and economic resources of the free world and of the need to make clear that we were not opposed to the aspirations of dependent and backward peoples.

9. Mr. Eisenhower said it was a great anomaly that at a time when people were worrying over the vestiges of colonialism, Russia held in abject slavery the peoples of the Baltic States and many other nationalities. Somehow or another we never seemed to be able to make this situation clear. He agreed entirely with what Mr. Padilla Nervo had said about the need for the free world to give moral and economic leadership.

10. President Ruiz Cortines then spoke through an interpreter a few lofty sentiments on the necessity of helping those with a desire for self determination and economic development.

11. President Eisenhower said that all this must be done against the background of an implacable Soviet policy. The Soviet leaders had repudiated Stalinism but they had not repudiated Marxism nor the dictatorship of the proletariat, the slave camp and the whip. There was a problem of timing involved. We must move in time to prevent countries being "chipped off" one by one by the Communists. The moral support of Canada and Mexico would help the United States. It would help him in the internal problems which the Administration had with their "isolationists and reactionaries". He stressed the importance of moral standards. He would like to see the North American continent a unit in its intellectual and moral approach to world problems.

12. Mr. Pearson said that he thought something pretty important was happening in Russia, something which might present us with opportunities which we should exploit. The changes that had taken place might possibly prove to be more than just a "zig". The altera-

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[2] Voir volume 20, chapitre IV, 5ᵉ partie.
See Volume 20, Chapter IV, Part 5.

tion of tactics might mean a turn. The Russians had released forces which we could use for our own purposes. The problem was as much one of Russian power as of Communist policy. We must pay careful attention as to what is going on in the Soviet Union in order to make use of whatever opportunities it presented.

13. Mr. Pearson went on to speak of three problems in particular. The first one was the question of economic assistance. He was sure that the answer to the Soviet challenge was not to be found in trying to match Communist promises but rather to make more effective and even extend what we were doing for our own reasons.[3] What we did we must do in the right way without political strings attached. The manner in which we gave our assistance was highly important. He spoke of the approval with which President Eisenhower's proposals on disarmament to Marshal Bulganin had met in Canada. He wondered if a similar approach might be applied in the economic field. Might we not propose to exchange economic assistance blueprints with them through some agency say of the United Nations. We would put it up to them to cooperate in this work. It was not a question of arranging joint programmes with them but of an exchange of ideas and proposals. At the very least we would succeed in exposing their real intentions.

14. Perhaps, Mr. Pearson said, a similar joint approach might apply to the problems of the Middle East. A year ago it would have been unthinkable to suggest that the Soviet Union might be asked to discuss and to share in settling the problems of the Middle East. It would have been said that this would be letting them into that area. Now, however, they were already there for this reason and because the situation had deteriorated he thought it was quite right that the Great Powers should be bringing the question of Palestine before the United Nations for settlement. It might well be that in the United Nations the Great Powers, including perhaps the Soviet Union, might get together on a plan for settlement. Such a plan would probably not be acceptable to the two sides, but they might later be willing to have a settlement imposed upon them.[4] As for the nature of such a settlement he did not know of any better basis than that which Mr. Dulles had put forward last summer. (President Eisenhower intervened to say that Nasser was a problem. He was always changing his tune in what he said to people. He was "weak and fearful").

15. Mr. Pearson concluded by saying that the third problem was one which Mr. Dulles had not mentioned in his survey — that was Formosa. After a certain amount of hesitation Mr. Dulles spoke of their anxiety to get the Chinese to renounce the use of force and he referred to the Chinese revolution as having been achieved by force and violence and spoke of the use of force against Tibet and other areas. He thought that the Bandung Conference had had an effect on the policy of Peking and that this along with the strong position the US had taken had led to some improvement in the situation. The Communists were continuing their buildup on the mainland but not with the hysterical haste of fifteen months ago. At the Geneva meetings the US had succeeded in getting a few Americans out of China, but they had not been as successful as they had hoped. (He said that of the nineteen in jails, six only had been released).

16. At Geneva the Chinese had said that they would agree to renounce the use of force in international relations provided that the US would withdraw from Formosa and admit that the dispute over the island was a purely civil affair. The renunciation of the use of force, they made clear, applied only in international matters. However, the fact that the talks were still going on was grounds for some assurance and the US did not intend to break them off. They bore in mind the eventual success of the lengthy discussions at Panmunjom. From

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[3] Voir/See Document 539.

[4] Voir/See Volume 22, Document 38.

some quarters, largely from the Indians, had come the suggestion that a solution might be found by getting the nationalists to withdraw from Quemoy and Matsu. However, at Geneva the Communists had made no difference between these islands and Formosa proper. Nehru had not mentioned this suggestion when Mr. Dulles saw him, and it was not included in the memorandum Nehru had sent him through the Indian Ambassador. What was needed was a lull in the area. The US would not be on strong ground to press the nationalists to withdraw from the islands. China was one of a number of divided countries in Asia. Nothing would be gained by withdrawing anywhere in response to Communist pressure as the repercussions would be serious in Vietnam, Korea, the Philippines and other places in the area. He had been impressed by the fact that the Governor General of Ceylon was very worried lest there be any withdrawal before the Communists in Asia. At the President's request he told us that Prime Minister Hatoyama said to him that the first assumption of Japanese foreign policy was that the US would remain strong and not withdraw before Communist pressure. Hatoyama had asked him bluntly if the Japanese were justified in this assumption, and Dulles had assured him that they were.

17. The President then said that everyone in the free world wished that Quemoy and Matsu did not exist, but there they were. Chiang Kai-shek put the whole basis of the defence of Formosa in terms of morale and Quemoy and Matsu had been built up, perhaps erroneously, into a symbol. The defence of Formosa was absolutely vital. Mr. Dulles then likened Quemoy and Matsu to Berlin for the moral significance which that had acquired.

18. In conclusion there was a brief and somewhat pointless discussion of problems of Communist subversions in our countries.

[J.W.] HOLMES

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5. DEA/50329-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 603 Washington, March 28, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Our 571 Mar 23/56.†

RIVERS FLOWING ACROSS THE INTERNATIONAL BOUNDARY — DISCUSSIONS AT WHITE SULPHUR SPRINGS

During the Prime Minister's private talk with President Eisenhower yesterday afternoon, at which Secretary Dulles and I were present, Mr. St. Laurent referred to the proposal for diplomatic discussions between Canada and the US concerning rivers that flow across the international boundary.[5] Mr. St. Laurent said that what we were aiming at was an agreement on the principles which would govern the development of these rivers. The excellent work of the International Joint Commission was extremely valuable to both countries, but the questions which Canada proposed to discuss did not appear particularly susceptible of solution by the Commission. We hoped that there would be diplomatic discussions between the two governments which would fill in the gaps that had been found in the 1909 Boundary Waters Treaty. The Prime Minister indicated that he hoped our proposal for diplomatic discussions would not present difficulties for the Administration in the forthcoming election campaign and he made it clear that the Canadian Government was not pressing for a speedy start to the discussions.

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[5] Voir/See Document 272.

2. President Eisenhower's reaction was immediate and favourable and it seemed to me that he might have been prepared to have the discussions start without delay. The President indicated that he was not worried about the domestic political implications of our proposal, and it appeared that he would have been willing to announce immediately that the two countries had agreed to hold diplomatic discussions. At the close of the discussion the Prime Minister indicated to the President that we would follow up our proposal.

3. Prior to the Prime Minister's press conference, State Department officials indicated that they would have no objection to a statement to the press that the question of rivers crossing the international boundary had been discussed by the President and the Prime Minister. As it turned out, Secretary Dulles, at his press conference, which preceded ours by an hour, stated that the President and the Prime Minister had discussed questions relating to the development of the Columbia River Basin. When the Prime Minister spoke to the press, he said that he had discussed with President Eisenhower the possibility of having diplomatic discussions with the US concerning rivers which cross the international boundary.

4. Mr. Dulles clearly is in favour of our proposal, but I suspect he will be inclined to proceed at a slower pace than that which the President seemed prepared to set[6]

[L.B.] PEARSON

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6. DEA/50329-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 611 Washington, March 29, 1956

IMPORTANT
Reference: Our 601 Mar 28/56.

YOUR TALKS WITH THE SECRETARY OF STATE AFTER WHITE SULPHUR SPRINGS

Last evening you and I dined with Mr. Dulles at his residence. Livingston Merchant was the only other person present. During the two and a half hours which we had together the conversation ranged over a large number of topics, some of which had already been touched on at White Sulphur Springs. In five immediately succeeding telegrams I shall record summary notes on the more important topics discussed last evening. It will I think be more convenient to separate the topics in this way. If you have any corrections or additions from your own recollection I would be grateful to have them.

[A.D.P.] HEENEY

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[6] Voir aussi le document 272.
See also Document 272.

7. DEA/50329-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 613 Washington, March 29, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Our 611 Mar 29/56.

YOUR TALKS WITH THE SECRETARY OF STATE AFTER WHITE SULPHUR SPRINGS: TRANSCANADA PIPELINE; PROCEEDINGS BEFORE FEDERAL POWER COMMISSION

Last night you took the opportunity when we were dining with the Secretary of State to express the hope that the proceedings before the Federal Power Commission on the application of Tennessee Gas would not be long delayed.

2. You made it quite clear that you were not attempting any interference with the proper exercise of the Federal Power Commission's jurisdiction, nor were you suggesting what the FPC's decision should be. You were simply drawing the Secretary's attention to the unfortunate repercussions in Canada if the proceeding before the Commission dragged on beyond this coming summer.

3. This is another matter which I propose to follow up with Livingston Merchant when I see him next week, unless you instruct me to the contrary.

[A.D.P.] HEENEY

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8. DEA/50102-N-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 614 Washington, March 29, 1956

SECRET. IMPORTANT.
Reference: Our tel 611 Mar 29/56.

YOUR TALKS WITH THE SECRETARY OF STATE AFTER WHITE SULPHUR SPRINGS: N.A.T. MINISTERIAL COUNCIL MEETING IN MAY[7]

You had an opportunity when we dined with the Secretary of State last evening of expressing again your hope that the ministers would have a chance of real discussion of political questions. In this connection you referred to Cyprus and North Africa. The Greeks would press for the former and it might be difficult and perhaps even unwise to avoid talking about these critical Mediterranean problems.

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[7] Voir volume 22, chapitre III, 2ᵉ partie.
See Volume 22, Chapter III, Part 2.

2. Dulles agreed that there should be full opportunity for serious political discussion in Paris and in advance of the meetings joint consideration should be given to the subjects to be dealt with and the manner in which they should be discussed. Incidentally you may remember that he thought Cyprus was within the NATO area.

[A.D.P.] HEENEY

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9. DEA/50000-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 615 Washington, March 29, 1956

SECRET. IMPORTANT.
Reference: Our tel 611 Mar 29/56.

YOUR TALKS WITH THE SECRETARY OF STATE AFTER WHITE SULPHUR SPRINGS: ARMS FOR THE MIDDLE EAST[8]

You referred at White Sulphur Springs to the danger of the Israeli Government concluding that the balance of arms was shifting rapidly against them unless they were able to obtain some of their requirements. It was for this reason that the Canadian Government had already authorized some shipments and were considering something more. Israeli authorities were particularly anxious to obtain from us F-86 fighters.

2. Dulles, who had told us he had been conferring with the President before dinner on the Middle East situation, said that the US Government felt that if they acceded in full to Israeli requests for arms, they would lose their ability to restrain the Arab States. On the other hand they were contemplating releasing in the near future some clearly defensive item (he mentioned antisubmarine mines as a possibility) and he did not see the same objection to other governments, for example Canada, authorizing the transfer of other weapons which Israel needed urgently. He thought that such action would go some distance to relieving Israeli apprehensions of the nature you had described. (Incidentally, Dulles said that perhaps Nasser would soon "have to be cut down to size").

3. It seemed evident to me that what Dulles meant was that the US Government would raise no objection if we decided, for example, to sell a squadron of F-86's to the Israelis and if other countries were disposed to take similar action. (Eban is coming to see me this afternoon. I understand on good authority that in his talk yesterday with Dulles he was told that the US Government would give "the green light" to other countries although they could not do much themselves). Presumably we would have to take great care before deciding upon a course which might be represented as pulling United States chestnuts out of the fire.

[A.D.P.] HEENEY

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[8] Voir volume 22, chapitre premier, première partie, section (b).
See Volume 22, Chapter I, Part 1, Section (b).

10. DEA/50329-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 616 Washington, March 29, 1956

SECRET. IMPORTANT.
Reference: Our tel 611 Mar 29/56.

YOUR TALKS WITH THE SECRETARY OF STATE AFTER WHITE SULPHUR SPRINGS: INDOCHINA; US T.E.R.M. MISSION, FUTURE OF I.S.C.'S

Last evening when we dined with the Secretary of State, this topic was discussed briefly, particularly in relation to the proposed T.E.R.M. mission.[9]

2. Dulles reported that when he was in New Delhi, Mr. Nehru had seen no objection to the exercise which would have the effect of reducing the military potential in the South.

3. You assured Dulles that we had no desire to be more Indian than the Indians and that, provided the effect were as he stated it, we would not be difficult in the Commission.

4. In answer to our questions Dulles was unable to give us any reliable estimate concerning the nature and extent of the equipment in South Vietnam; nor did he know of what proportion it was intended to pull out of the country.

5. On the questions of the Diem Government's assumption of responsibility for the cease fire, Dulles was optimistic that something satisfactory would be worked out along the lines of the UK Ambassador's representations.

6. You took the opportunity of explaining the Canadian position concerning the continuation of the Commissions. We were willing to continue to carry the burden so long as the Commissions were making a contribution to the security of the area. It looked as if the Cambodian Commission could be wound up soon.

[A.D.P.] HEENEY

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11. DEA/12001-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 617 Washington, March 29, 1956

SECRET. IMPORTANT.
Reference: Our tel 611 Mar 29/56.

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[9] Voir/See Document 627.

YOUR TALKS WITH THE SECRETARY OF STATE AFTER WHITE SULPHUR SPRINGS: POSSIBLE SALE OF CF-100'S TO BELGIUM[10]

Last night you raised this problem with the Secretary of State, pointing out that, on grounds of security, the USAF were unwilling to release for transfer to Belgium the fire control system to equip CF-100's which the Belgian authorities wished to obtain from Canada. Whatever the merits of the position taken by the USAF, the resultant situation was exceedingly difficult and embarrassing in dealings with a North Atlantic ally alongside whom Canadian forces were serving with in Western Europe.

2. Neither Mr. Dulles nor Livingston Merchant had heard anything about this and the Secretary at once recognized the political difficulty involved in refusing the Belgian request. He promised to look into the position and let us know the result.

3. In describing the circumstances we said quite frankly that the RCAF were inclined to believe that the USAF position was quite justified on security grounds.

4. Merchant asked me to follow this matter up with him and, unless I am instructed to the contrary I will take an opportunity of doing so when I see him next week.

[A.D.P.] HEENEY

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12. DEA/50055-B-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 618 Washington, March 29, 1956

SECRET. IMPORTANT.
Reference: Our 587 Mar 27.†

CHINA POLICY

This is a sixth telegram in the series referred to in my telegram 611 of March 29 as consisting of five telegrams.

2. You will remember that when we dined with the Secretary of State last night we referred to the proposed "China exercise", that is to say, our joint intention of exchanging views (and papers) on this subject in a deliberate and objective manner.

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[10] Voir volume 22, chapitre III, première partie, section (d).
See Volume 22, Chapter III, Part 1, Section (d).

3. Dulles said that he hoped and expected we would proceed. He felt that the results could only be profitable for us both. He wished he had been able to persuade the British to do likewise, as our ultimate objectives in the area were the same.[11]

[A.D.P.] HEENEY

2e PARTIE/PART 2

QUESTIONS DE DÉFENSE ET SÉCURITÉ
DEFENCE AND SECURITY ISSUES

SECTION A

DÉFENSE AÉRIENNE CONTINENTALE
CONTINENTAL AIR DEFENCE

13. DEA/50210-F-40

Le président du Comité des chefs d'état-major
au sous-secrétaire d'État aux Affaires extérieures
et au secrétaire du Cabinet

Chairman, Chiefs of Staff Committee,
to Under-Secretary of State for External Affairs
and to Secretary to Cabinet

TOP SECRET. NO CIRCULATION. Ottawa, January 11, 1956

USE OF ATOMIC WEAPONS IN CANADA

We have received information from the United States Defence Department that they are seeking the President's authority to open negotiations with Canada for the use of atomic weapons over Canada. They further inform us that we may expect the first approach in about six or eight weeks. They point out that the U.S. law requires the custody of nuclear weapons to be retained by U.S. personnel. They would however train our personnel in their use, provide information necessary to design equipment such as aircraft to carry the weapons, and provide siting equipment and other ancillaries. The United States inform us that they intend to make similar proposals to other nations but will approach Canada first. They further request that we give this matter the closest possible security coverage.

As the U.S. approach is not expected for six or eight weeks, there does not appear to be any immediate action which should be taken, except to ensure that there is no leak of information from Canadian sources. You may recall that questions were asked in Parliament last year regarding the possession and storage of atomic bombs in Canada and at that time Mr. Campney pointed out that, for security reasons, no answers could be given on this matter.[12]

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[11] Pour en savoir plus sur les origines du « China exercise », voir volume 21, documents 752 à 756. Le durcissement de l'attitude des États-Unis à l'égard de la Chine communiste au cours de 1956 a mené le ministère des Affaires extérieures à conclure que l'échange proposé ne pourrait porter fruit. On peut trouver le document sur cette question dans le dossier MAE 50055-B-40. Voir également le volume 22, document 307.

On the origins of the "China exercise", see Volume 21, Documents 752-756. A hardening of the American attitude toward Communist China during 1956 apparently led the Department of External Affairs to conclude that the proposed exchange was unlikely to be fruitful. Material on this subject is located on DEA 50055-B-40. Also see Volume 22, Document 307.

It is not quite clear from the information received what the U.S. requirements in Canada are going to be. The phrase "use of atomic weapons over Canada" seems to indicate that what they are seeking is authority to use air-to-air missiles in Canadian air space and perhaps, looking more into the future, authority to use Canadian air space for the delivery of intercontinental ballistic missiles.

As mention is made of the U.S. law requiring that the custody of nuclear weapons be retained by U.S. personnel, this may indicate that they have intentions of requesting the storage of these weapons on Canadian territory. As you may be aware, this question of storage was approached some years ago regarding the storage of weapons primarily for use by the United Kingdom, but this proposal was dropped when a security incident caused the abandonment of any UK-US collaboration in the supply of nuclear weapons. However arrangements were made at that time to allow the United States to construct a special building at Goose Bay for the purpose of holding atomic weapons.[13] It is my recollection that this installation was agreed to provide facilities for the storage of nuclear weapons or components on a temporary basis while aircraft were being serviced or if aircraft became grounded.

With regard to the suggestion that information regarding design of equipment, such as aircraft to carry weapons, etc., would be supplied, I understand this is being accomplished on a Service-to-Service channel and that this collaboration would be continued. You will recall that at the meeting of consultation on 5 December[14] I mentioned in discussing our requirements for air-to-air guided missiles (Sparrow) that we would be requiring at a later stage information and specifications on atomic warheads for this type of weapon.

I am sending this letter purely for your information and, as mentioned earlier, I do not think there is any action required now but I re-emphasize the need for the greatest possible security to avoid any leaks in Canada.

I will keep you informed of any further developments.

CHARLES FOULKES

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14. DEA/50210-F-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

TOP SECRET. NO CIRCULATION. Ottawa, January 12, 1956

USE OF ATOMIC WEAPONS IN CANADA

It would appear from General Foulkes' letter that the United States authorities might have in mind two types of activity involving the use of atomic weapons in Canada:

(a) The deployment of bombs to SAC bases outside the United States so that their aircraft would have them readily available if it became necessary to launch an attack. At present, to the best of our knowledge, all atomic weapons are kept in the United States or in U.S. ships, but this would undoubtedly delay the Strategic Air Force in getting a major attack under way.

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[12] Voir Canada, Chambre des Communes, *Débats*, 1955, volume II, pp. 1737 à 1738.
See Canada, House of Commons, *Debates*, 1955, Volume II, pp. 1643-1644.

[13] Voir/See Volume 16, Document 831.

[14] Voir/See Volume 21, Document 307.

(b) The introduction of atomic weapons into the air defence system, both in ground-to-air and air-to-air roles.

2. If nothing more is involved than SAC deployments, the matter could be handled along the lines of the procedures agreed upon in 1951 for over-flights, i.e. by official government-to-government requests for permission to make such deployments.[15] If the use of atomic weapons in an air defence role is what the Americans have in mind, however, the problem is more difficult, and our position on the following questions would have to be considered:

(a) areas of Canada over which the weapons might be fired;

(b) operational control of weapons fired in the United States but functioning over Canada;

(c) availability of weapons for Canadian air defence forces;

(d) availability of full information on numbers, characteristics and effects of the weapons.

3. I think that the fact that this problem is coming up at this time is additional evidence of the importance of our getting on with the study of national security policy,[16] and in particular of our position with respect to North American air defence.

J. L[ÉGER]

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15. DEA/50210-F-40

Note du chef de la 1ère Direction de liaison avec la Défense pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Defence Liaison (1) Division, to Under-Secretary of State for External Affairs

TOP SECRET. NO CIRCULATION. [Ottawa], January 18, 1956

USE OF ATOMIC WEAPONS OVER CANADA

General Foulkes stated in his letter of January 11 that the approach which the United States authorities are expected to make in late February or early March regarding the "use of atomic weapons over Canada" may be related to the use of air-to-air missiles in Canadian airspace and perhaps to the future delivery of intercontinental ballistic missiles through Canadian airspace.

2. These are not matters which come within the scope of existing agreements or understandings, except possibly the general agreement (embodied in the [35]th recommendation of the P.J.B.D.) for "reciprocal provision by mutual arrangement between the Governments of its military, naval and air facilities by each country to the armed forces of the other country", and the accompanying proviso that "military projects, tests or exercises, agreed to by both countries, whether jointly conducted or not, are without prejudice to the sovereignty of either country, confer no permanent rights or status upon either country, and give

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[15] Voir/See Volume 17, Document 699.

[16] Voir volume 21, chapitre VIII, note éditoriale, p. 1640.
See Volume 21, Chapter VIII, Note by the Editor, pp. 1640-1641.

only such temporary rights or status as are agreed upon by the appropriate authorities of the two countries in authorizing the projects, tests or exercises".[17]

3. By implication, the "Agreed Minute" of June 14, 1951[18] indicated the willingness of the U.S. Government to obtain the prior consent of the Canadian Government for special operations in Canada of the U.S. Air Force, since it specified the channel to be used by the U.S. Government when requesting permission to make use of facilities in Canadian territory —

(a) "for the deployment of atomic weapons (both without and with their nuclear components)",

(b) "for the conduct of operations involving the use of such weapons", or

(c) "to overfly Canadian territory with such weapons."

4. The Agreed Minute was not designed, however, to do more than afford a record of procedures which had been developed on an ad hoc basis for the mutual convenience of the two governments. It did not go further because it had become apparent that there were certain requirements held by each government to which the other could not agree. The U.S. Government was unwilling to enter into any agreement which would appear to qualify the right and responsibility of the President of the United States to make the decision that atomic weapons should be used. The Canadian Government for its part could not agree to surrender the right to decide whether or not Canadian facilities should be used for atomic strikes in any particular situation.

5. The agreed procedural arrangements governing clearance of flights of aircraft of the U.S. Strategic Air Command over Canadian territory where the movement of atomic weapons is involved were set out in detail in Schedule B (Top Secret) of Order-in-Council P.C. 2307 of April 17, 1952. These procedures do not appear to be directly relevant to the "use of atomic weapons over Canada".

6. The problem of storage of these weapons on Canadian territory was raised, as General Foulkes has pointed out, in relation to Goose Bay. On October 15, 1951, the United States authorities were informed that the Canadian Government had no objection to a proposal that a unit of the U.S. Air Force be permanently stationed there for "the operation and maintenance of a storage site at Goose Bay for the support of the Strategic Air Command operations from that base." It was clearly understood at the time that these storage facilities were for special weapons.

7. It will be noted that the agreements relating to special storage facilities and to clearance of special flights are both connected with strategic air operations. The proposals now anticipated are apparently connected rather with the operations of the air defence system. It seems that the U.S. authorities are prepared to make plans and preparations for the use of atomic weapons in a defensive role "over Canada" and by Canadian forces — while restricting custody of the weapons to U.S. forces, as required by U.S. law.

8. This may well be a major step towards the creation of an integrated weapons system for North American defence, which we had already become convinced was essential and urgent. An integrated weapons system, however, would hardly be practicable without a greater measure of integrated planning than exists at present. The proposal seems certain, therefore, to raise politically important problems of control and cost-sharing which have not so far had to be faced in so direct a form.

G. IGNATIEFF

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[17] Voir/See Volume 12, Document 973.

[18] Voir/See Volume 17, Document 699.

16. DEA/50309-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 289 Washington, February 20, 1956

TOP SECRET

Reference: Our despatch 2047 of Dec 21/55.[19]

INTEGRATION OF OPERATIONAL CONTROL OF THE CONTINENTAL AIR DEFENCES OF CANADA AND THE UNITED STATES DURING PEACETIME

The Joint Staff have given us a copy of a telegram they sent to Ottawa dated February 16. We are sending you the text for your convenience. In connection with this you may wish to refer to paragraph 35(h) of record of the meeting of consultation attached to our despatch under reference. The following is the CJS signal mentioned: Text begins:

1. Following is the text of a memorandum received from Secretary U.S. Joint Chiefs of Staff "Paragraph one. In their continuing study of military measures essential to the strengthening of the air defences of the North American continent, the United States Joint Chiefs of Staff have considered the desirability of peacetime integration of operation control of the continental elements of the Air Defence Systems of Canada and the United States, including the continental portions of the warning systems. As a result of their examination of this subject, the United States Joint Chiefs of Staff have approved in principle the need for such integration of operational control.

2. The United States Joint Chiefs of Staff consider that it would be desirable to reach agreement in such areas as the composition of subordinate forces, the assignment of tasks, the designation of objectives, and the authoritative direction necessary to accomplish the mission of providing air defence for Canada and the continental United States. Operational control in this respect would not include such matters as administration, discipline, internal organization, unit training and logistics.

3. In order that the necessary details of such an arrangement may be developed at an early date, the Joint Chiefs of Staff have directed the undertaking of immediate studies in this field. In taking this action, the United States Joint Chiefs of Staff are fully aware that any studies made unilaterally on the subject in the United States will be without substance if not responsive to Canadian views.

4. With this in mind, the United States Joint Chiefs of Staff request the views of the Canadian Chiefs of Staff Committee on the desirability of integrating in peacetime the operational control of the continental elements of our two air defence systems. Suggestions on the best procedure by which combined study and planning in that direction might be undertaken also are solicited. Text ends.

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[19] Voir/See Volume 21, Document 307.

17. DEA/50210-F-40

Le président du Comité des chefs d'état-major
au sous-secrétaire d'État aux Affaires extérieures
et au secrétaire du Cabinet

Chairman, Chiefs of Staff Committee,
to Under-Secretary of State for External Affairs
and to Secretary to Cabinet

TOP SECRET. NO CIRCULATION. Ottawa, March 14, 1956

USE OF ATOMIC WEAPONS IN CANADA

1. With reference to my letter of 11 January, I have now received further information from the Canadian Joint Staff in Washington, as follows:

"Colonel Crowson, Military Assistant to Assistant to Secretary of Defence (Atomic Energy) informed me that first approach by United States on proposals for use of atomic weapons over Canada may be expected before the end of March on channel State Department-Canadian Ambassador Washington. U.S. would probably propose that discussions take place in PJBD.

"Crowson said that present U.S. law requires custody of nuclear weapons to be retained by U.S. nationals, thus U.S. will probably ask to have American units stationed in Canada. He said that they anticipate that this will be unacceptable to Canada and that we may insist on Canadian personnel having custody of weapons and using them in Canadian units. He said that in anticipation of this the Joint Chiefs of Staff are examining the requirements for amendments to present U.S. legislation. If the initial U.S. request to have American units stationed in Canada is refused, they may offer a compromise providing for the stationing of U.S. units in Canada for a fixed period which would allow them time to amend their laws. These units would train Canadian personnel in the use of nuclear weapons."

I am requesting the Chairman of the Joint Staff Washington to brief Mr. Heeney on these matters so that he will be fully informed before he is approached by the State Department.

2. It would appear that it would be useful to give some consideration to the best approach to be made by Canada on this problem before the exchange of notes actually takes place. I would therefore suggest that it might be useful if a preliminary discussion on this matter could be held by the same group as considered this question previously. I would be grateful for your views.

CHARLES FOULKES

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18. DEA/50210-F-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

PERSONAL AND TOP SECRET Washington, March 19, 1956

Dear Mike [Pearson],

I sent on Friday a short telegram addressed to yourself and the Under-Secretary (No. 498†). I am sure you will have seen that my purpose was to make sure that Foulkes had told you of the approach made from the Department of Defense to the Canadian Joint Staff on the "use of atomic weapons over Canada in an air defence role". I did not think it useful to attempt to go into the story in detail, or discuss the substance, in a telegram.

I received from Major Williams (in Sparling's absence) a letter of which I attach a copy. It is not clear to me why I was not informed of this matter in January, and the letter seems to imply further that you and Jules [Léger] may not have been told until very recently. This absence of consultation will have to be looked into at some time.

As far as I can see from Williams' letter, the Department of Defense took the proper action in giving to the Joint Staff advance warning of an important approach which would itself obviously have to be made on the government channel. From our point of view in Washington, and perhaps from yours, the way in which the subject has been handled has made futile the obvious efforts of the Americans to enable the Canadian Government to examine the approach before it is made (or perhaps to suggest that it would be wiser not to make it).

You will see from Williams' letter that the Americans are likely to ask first that American units armed with nuclear weapons should be stationed in Canada. They are wise enough to see that this will probably be unacceptable, and are examining a compromise which can be offered only in the event that the Atomic Energy Act is revised.

I doubt if you would feel that the Americans were wrong in their impression that we could not accept the first suggested request. There must be considerable doubt as to whether we could accept the second, although it might be possible to work out some arrangement in due course which would provide that nuclear weapons could be used in the defence of the continent on either side of the boundary.

I would imagine that in whatever form the United States proposal is made it could be answered only after an elaborate study has been made of the future problems of continental defence and the principles on which Canadian-American co-operation are to be built. You will recall that on Feb. 20 we repeated to you (our telegram No. 289 of Feb. 20) the Joint Staff telegram to Ottawa on integration of operational control. I mentioned this subject when I was in Ottawa and found that the Department (Macdonnell) was aware of the consultations taking place on the military level. It had also been decided, I gather, that it would be best not to have political officers associated directly with this process. Any question of the presence in Canada of American forces equipped with atomic weapons would also have to be considered in relation to the "Agreed Minute" of June 14, 1951, which, you will recall, is the basis of the meetings of consultation and of the procedure by which requests to deploy atomic weapons or over-fly Canada with atomic weapons were to be made.

Williams has just told us that he has heard from the Department of Defense that this project has been referred to the White House. Presumably it will be some time before we are approached but, as I pointed out in my telegram, if called in I could do no more than report what was said. I am anxious to have a talk with you about this subject when you are in Washington. The purpose of this letter is to give you whatever information I have and to indicate my concern both with the intended proposal itself and the apparent lack of coordination here and in Ottawa.

Yours sincerely,

ARNOLD [HEENEY]

[PIÈCE JOINTE/ENCLOSURE]

L'état-major du Canada au États-Unis
à l'ambassadeur aux États-Unis

Canadian Joint Staff in United States
to Ambassador in United States

TOP SECRET Washington, March 15, 1956

Dear Mr. Heeney:

On 10 January 1956, Colonel D.L. Crowson, Military Assistant to the Honourable Herbert Loper, Assistant to the Secretary of Defense (Atomic Energy) informed me that the U.S. Department of Defense was seeking the President's authority to open negotiations with us for the use of atomic weapons over Canada in an air defence role. He said at that time that we might expect the first approach in six to eight weeks.

Colonel Crowson explained that U.S. law requires that the custody of nuclear weapons be retained by U.S. personnel. They would propose to train our personnel in the use of nuclear weapons, provide us with information necessary to design our equipment for their use and would provide certain sighting and other ancillary equipment. He said that they are asking for authority to make similar proposals to other nations in due course but the approach to Canada will come first. Crowson asked that this information should not be circulated, so only General Sparling and General Foulkes were informed.

In another conversation on 12 March, Crowson told me that the initial approach by the United States could be expected before the end of March from the State Department to you. He said that the United States would probably propose that the detailed discussion should take place in the PJBD.

Referring again to the restrictions imposed by the U.S. Atomic Energy Act, Crowson said that the initial request by the United States would likely be simply for the stationing of American units, armed with nuclear weapons in Canada. He said that they anticipate that this will be unacceptable to Canada and that we may insist upon having full knowledge of the details of the weapons which they propose to use in our country and upon Canadian units having equivalent armament. He said that in anticipation of this, the Joint Chiefs of Staff are examining the requirements for amendments to present U.S. legislation. If the initial U.S. request to have American units stationed in Canada is refused, they may offer a compromise providing for the stationing of U.S. units in Canada for a fixed period which would allow them time to amend their laws. These units would train Canadian personnel in the use of nuclear weapons.

In the absence of General Sparling I reported this second conversation to General Foulkes and he asked me to brief you, saying that he would inform Mr. Léger and Mr. Bryce. He asked me also to ask Crowson in what part of Canada the Americans would ask to have units stationed. If Labrador and Newfoundland are the only locations, there might not be much difficulty in getting government approval. I have arranged to see Crowson tomorrow morning.

Yours sincerely,
E.J. WILLIAMS
Major

19. DEA/50210-F-40

Le président du Comité des chefs d'état-major
au sous-secrétaire d'État aux Affaires extérieures
et au secrétaire du Cabinet

Chairman, Chiefs of Staff Committee,
to Under-Secretary of State for External Affairs
and to Secretary to Cabinet

TOP SECRET. NO CIRCULATION. Ottawa, March 20, 1956

USE OF ATOMIC WEAPONS OVER CANADA

1. With reference to my letter of 14 March, after giving this matter further consideration I felt it would be easier for us to deal with this subject if we had more information as to where the United States planned to store atomic weapons in Canada. If this storage was limited to areas where they would be of use to the US squadrons already stationed in Canada, this would not give as much concern as if they required storage at places like Edmonton, St. Hubert, etc. I therefore requested the Canadian Joint Staff in Washington to have some informal conversations with the Defense Department on the question of more specific locations required for storage. I have just received the following reply:

"Crowson said this morning that it is the Department of Defense view that it is desirable that the forces of Canada and the U.S. which are employed in the air defence of this continent should be armed to the same standards. Department of Defense has requested the President's authority to discuss the problem with Canada. He had delivered their request to the White House on 15 March.

"Crowson said that without an amendment to the U.S. Atomic Energy Act of 1954 the only way that the Americans can achieve coverage with nuclear air defence weapons of vital approaches to the U.S. is by stationing their units in Canada. In order to achieve an amendment to the Act, Department of Defense wishes to present conclusive reasons to Congress. They are suggesting as a line of approach that Canada should be asked to accept stationing of U.S. units in Canada in order that our anticipated refusal would support their case. They would not refer to precise locations but rather would ask for approval in principle. Their interest is not confined to the Newfoundland-Labrador area.

"Crowson emphasized that this was a line of approach which Department of Defense had suggested and might not necessarily be followed. They feel that the discussions in PJBD will consume six to eight months, and that no time is to be lost if they are to get an amendment to the Atomic Energy Act through this session of Congress. They have therefore asked the White House to treat it as a matter of urgency. Crowson said that the first approach is still likely to come on the State Department-Ambassador channel but there is the possibility that the President will discuss the question with Mr. St. Laurent during his forthcoming visit. He said that he would inform us as soon as he learned anything more on the channel and timing of the approach.

"Crowson said it would be helpful if we could provide him with any other information on timings such as when the Cabinet would resume sitting after 23 April."

2. You will note that it is suggested that the President might raise this question with the Prime Minister during his forthcoming visit. In view of this suggestion, it would perhaps

be useful if we could get together some time before the end of this week to draft a memorandum for the Prime Minister.[20]

CHARLES FOULKES

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20. DEA/50210-F-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DL-529 Ottawa, March 21, 1956

TOP SECRET. IMPORTANT.
Reference: Your telegram No. 498 of March 16.

USE OF ATOMIC WEAPONS IN CANADA

Following for the Ambassador *only*: Begins:

General Foulkes had in fact informed Bryce and Léger that the U.S. Defense Department was seeking the President's authority to open negotiations with Canada for the use of atomic weapons over this country.

2. I understand that the Chairman of the Joint Staff is briefing you fully and that you will therefore have as much information as is available to us here. You will be aware therefore that we have very little information concerning the exact nature of the U.S. proposal and that until we have more information it will be difficult to consider its possible implications in any detail. From what we do know, however, it is clear that the implications will be important and will call for most careful study by the Canadian Government.

3. It is essential that the initial State Department approach should be informal and exploratory in character, so that there will be ample opportunity for a full exchange of views and information before any diplomatic exchange is considered. I think it would be desirable for you to ensure that the State Department appreciates this so as to avoid the possibility that the first approach might be a formal one.

4. General Foulkes has informed me, and you probably already know, of the possibility that the President will discuss this question with Mr. St. Laurent during the latter's forthcoming visit, although it is still likely that the first approach will be made to you by the State Department. If you hear any more about the channel and timing of the approach or about its probable contents, please let me know.

5. We are giving urgent consideration to this whole question here and I shall of course inform you of any developments. Ends.

[L.B.] PEARSON

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[20] Note marginale :/Marginal Note:

Mr Léger thinks [it] important that P[rime] M[inister] be told that President intends to raise matter in general way but PM should not be expected to comment on substance of US proposal but be non-committal fresh into [illisible/illegible] [auteur inconnu/author unknown].

Une seconde note en marge, totalement illisible et d'une écriture différente, suit.

A second, completely illegible marginal note, written in a different hand, follows.

21. DEA/50210-F-40

Note du secrétaire du Cabinet
pour le premier ministre

Memorandum from Secretary to Cabinet
to Prime Minister

TOP SECRET [Ottawa], March 23, 1956

USE OF ATOMIC ANTI-AIRCRAFT WEAPONS OVER CANADA

1. We have heard through military channels that the U.S. State Department is likely to approach our Ambassador in Washington in the near future concerning the possible use by the U.S. Air Force over Canada of atomic warheads in air-to-air anti-aircraft weapons, which they are planning to use over the United States. This matter has been taken up with President Eisenhower and it is possible that he may speak to you about it in White Sulphur Springs.[21] We are setting forth below some of the facts and arguments on it, but our suggestion is that your reply to the President should be quite non-committal other than a promise to look into the question, with perhaps an indication that it raises a number of complex problems.

2. Our military authorities have been aware for some time that the United States was planning to use atomic warheads in certain of its rockets or guided missiles to be used against bombers attacking North America. We have only a little information about these weapons and I think much of it came out in the Cabinet Defence Committee discussions concerning air defence late last fall.[22] You will recall that General Partridge of the United States said something in New York some weeks ago about the use of these weapons, and there was a question in Parliament by Mr. Knowles about the matter, which Mr. Campney answered relatively briefly after some discussion in Cabinet.

3. Under the existing bilateral agreement on cooperation between Canada and the United States regarding atomic information for mutual defence purposes,[23] we would be able to receive a considerable amount of information on the characteristics of nuclear weapons and their effects. But it would require amendments to the U.S. Atomic Energy Act before the United States could furnish the Canadian Forces with any nuclear weapons, even of the defensive varieties now being developed in the United States. We believe that the American Services would be disposed to furnish such defensive atomic weapons to the Canadian Services for use in the joint defence of North America, and indeed we have some reason to suspect that the Americans think our response to the approach to be made is likely to be such as will give them an excuse to go to Congress for legislative changes to enable them to furnish us not only with information but with the weapons themselves.

4. Our own air defence plans, of course, are still in the process of revision and it is not yet possible to speak with any precision on what they are likely to be, although we have some general ideas of the lines on which they are going to develop. Consequently, in any discussion with the Americans, we would have to preserve considerable freedom of action and make clear that governmental decisions have not yet been made on a number of the

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[21] Nous n'avons trouvé aucun dossier relatif à une discussion sur les armes nucléaires qui aurait eu lieu à White Sulphur Springs.
No record was found of a discussion of nuclear weapons at White Sulphur Springs.

[22] Voir volume 21, les documents 317 et 321./See Volume 21, Documents 317 and 321.

[23] Voir/See Volume 21, Document 451.

matters which will be relevant to a consideration of this request that they are about to make.

5. American air defence squadrons should only be based in Canada if, and to the extent that, Canada cannot herself supply enough squadrons to meet the threat that must be met from Canadian bases. As yet, there is no indication that this reason will require American squadrons based in Canada, other than those already in Newfoundland and Goose Bay. The Air Force and Chiefs of Staff are now working on plans to increase the number of regular R.C.A.F. squadrons. We understand that Mr. Campney has approved this proposal in principle but does not wish to bring it forward for consideration by his colleagues until he can also bring forward plans for the tapering down of air training activities and for the re-organization of the Auxiliary Squadrons of the Air Force Reserve. These latter questions may involve a delay of some weeks before he is ready to propose a revised Air Force programme for consideration by the Cabinet Defence Committee. However, it would appear feasible, even at this stage, to indicate to the United States that we do have in mind the expansion of our own air defence squadrons and the creation of new operating bases for this purpose, particularly in the area north of the Great Lakes and the Prairies. In addition, we are working on the re-location northward of our existing squadrons, so as to extend the battle area as far as possible north of the settled areas of Canada.

6. The expansion of the Canadian air defence effort in Canada, and the possibility of having to rely upon some U.S. squadrons occupying bases in Canada presents a real problem in connection with the twelve Canadian squadrons based in Europe, even though the U.S. Forces will likely, for the most part, not be fighter squadrons, but rather concerned with the operation of radar stations, and later possibly with guided missile installations. We understand that the Ministers concerned would be most reluctant to withdraw Canadian squadrons from Europe if that can be avoided. The reasons for this are partly those of broad policy in the Alliance and partly military. Our air division is one of the most efficient air units in Europe and there is no early prospect of European units of equal quality taking over its role. Moreover, the Supreme Allied Commander attaches a great deal of importance to having a Canadian unit of this kind in Europe, as does the N.A.T.O. Council itself. On the other hand, it would be difficult for Canada to maintain a substantial number of Canadian air squadrons in Europe if U.S. squadrons were to be based in Canada. It is true that the U.S. squadrons would in fact be defending the United States, perhaps to a larger extent than they would be defending Canada if the locations were properly chosen with this in view. Nevertheless most Canadians would believe that they were at least in part here to defend Canada. Many would argue that Canada should defend herself first and not have to rely upon the United States while Canada is engaged largely in the defence of Europe. This is an argument that the Americans will surely understand and appreciate.

7. Canadians will need considerable reassurance that atomic anti-aircraft weapons can be safely used over their heads and homes. They would look to their own government and Armed Services to give them that reassurance, even though the U.S. Forces were using them over the United States itself. Consequently it would be necessary for Canadians to be throughly familiar with the weapons and their use if such weapons are to be used over Canada. It would also appear necessary that the parties responsible for the storage and safe carriage of such weapons in Canada should be answerable to the Canadian government.

8. If the U.S. and Canadian military authorities are convinced that these weapons will be the most efficient in air defence, it is in the interest of both the United States and Canada that Canadian squadrons should be equipped with them as well as American squadrons. If this should not take place, it will be apparent that some lack of confidence between the two nations is impeding the most effective defence of each of them. Such an implication would

be highly undesirable in the sort of partnership that it appears continental defence is now going to require.

9. Canadian Service planning of aircraft weapons and other related aspects of the Air Force programme have been based on the assumption that at some time atomic anti-aircraft weapons will be standard in the air defence of North America. Canadians now do not have all the knowledge necessary to determine whether and when the use of such weapons will be warranted. It is expected, however, that at some point the U.S. defence authorities will wish to discuss this matter with our defence authorities. Some such discussion may take place now within the terms of our bilateral agreement on military atomic energy matters, but additional specific authority may be required if it is to be fruitful.

10. In discussions with the United States it seems desirable to have these points in mind even though they need not be expressed at the present time.

R.B. B[RYCE]

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22. DEA/50210-F-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

PERSONAL AND TOP SECRET Washington, April 6, 1956

Dear Mike [Pearson],

When you were in Washington we had a brief conversation about the manner of planning future arrangements for continental defence. You suggested that I might set out to you in a personal letter certain worries which George Glazebrook and I share on this subject.

2. There are two important projects now under discussion between Canadian and United States military authorities. The first of these is the proposal for the integration of "operational control" of the air defences of Canada and the United States. In my telegram No. 289 of February 20 I sent to you the text of a memorandum of February 14 received by our Joint Staff here from the Secretary of the U.S. Joint Chiefs of Staff. This was answered by a letter from Sparling and I think that I should give you the text, at least for your own reading. The most recent document† (copy of which is also enclosed) is the memorandum from the Joint Chiefs to Sparling suggesting that an *ad hoc* group be formed in early May. You will see that the American suggestion is that this *ad hoc* group include representatives of the Chiefs of Staff.

3. As perhaps a minor point, I am not very happy about the heavy-handed military expressions on "political sensitivities". On the proposal itself, the distinction between a single command and integrated operational control, it seems to me, is likely to prove pretty narrow in practice. No doubt the latter may sound better, and no doubt there have been subtracted from command some functions which we prefer to be national. On the other hand, surely it is the operational control which is significant?

4. The second main development in this field relates to atomic weapons in Canada and has been covered on paper by my personal letter to you of March 19† and by telegrams

DL-529 of March 21 and DL-547 of March 23.[24] Here it would seem to me that Bryce's memorandum is a valuable and helpful document. But it was, of course, intended primarily for the immediate use of the Prime Minister and leaves further study to be made. When I was seeing Livingston Merchant on March 23, I mentioned the undesirability of any formal approach to us before there had been informal (political) conversations. While he had known little about the plan, he agreed with me.

5. I do not wish to express any opinion as to whether either a combined command or integrated operational control is in itself necessary or wise at the present time; nor am I competent to judge under what technical conditions and to what extent atomic weapons deployed in Canada are needed for the defence of North America. It may well be that either or both of these radical innovations should be agreed. What I am concerned about is the procedure.

6. Over a period of years now, and I am sure rightly, there have existed special bodies, of which the PJBD is the principal one, to deal with questions relating to continental defence as they arise. Part of this machinery, and again no doubt a proper part, provides for military consultations between Canadian and United States officers.

7. I would venture to suggest that, from some points of view, the technical consultations are in danger of getting ahead of governmental decisions. As an ex-historian, you will recall the old controversy as to the extent to which "staff talks" constitute a commitment on the governments permitting them to be held. Perhaps the most famous case in modern times is that of the Anglo-French staff talks in the few years before 1914. If the United States and Canadian Chiefs of Staff should agree on an integrated operational control of our air defences and the deployment of U.S. atomic units in Canada, I wonder whether the Government would be as free as it should to take decisions on the merits?

8. In any event, it does seem to me that it would be appropriate to have fully-developed *Canadian* military views on these two subjects submitted to Canadian Ministers and at least a provisional expression of governmental opinion before bilateral military talks are launched. It may be that these steps have indeed been taken and that the Government is in a position to authorize the military conversations to be started. My impression, however, is to the contrary.

9. There may be a tendency on the part of some of our military officers to think, for instance in the case of the atomic weapons suggestion, that this is a means of securing for Canada knowledge, and perhaps weapons, which could not otherwise be obtained. If so, this is an understandable motive but is a wrong approach. The defence of the North American area as a whole is becoming more and more of a single problem with the increase in air speed and development of new weapons. Canadians should not feel that they are suppliants before the U.S. military authorities. The interest in putting atomic weapons in Canada is at least as much for the defence of the United States as it is for the defence of Canada. The siting is simply a technical question of where such installations can be most effectively placed. We have no reason to make any bargains.

10. The time has come when there should be a re-examination of the whole problem of the defence of North America — not only the technical aspects but also the principles which should govern the relations between the two Governments and their military forces in this joint undertaking. So far as I know no such general exercise is underway in Ottawa — in any event none which includes political as well as military "experts". I am therefore

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[24] Le document 21 a été envoyé à Washington en tant que télégramme DL-547 daté du 23 mars 1956.
Document 21 was sent to Washington as Telegram DL-547 of March 23, 1956.

somewhat concerned when such important items as the two I have mentioned appear to be taken up piecemeal, rather than as a part of, and to some extent a sequel to, general decisions on the pattern likely to obtain during, say, the next ten years.

11. It is inevitable and logical that there should be a close relationship between Canada and the United States for the defence of what, for that purpose, is rapidly becoming a single area. To this no reasonable Canadian takes exception. Yet the very military factors which compel this conclusion raise questions which are much more than military. It does seem to me, therefore, that the procedure by which we seek to solve the problem, in all its complexities and difficulties, must be such as to avoid the Government being led step by step into a fixed position without having had a proper opportunity to assess it as a whole.

12. Finally, I should say that in expressing these views I am not unaware of the argument that in going ahead "on the military net" without close political liaison, situations of embarrassment to the political authorities can be avoided. This is always something to be balanced against the danger of unconscious commitment. In the present situation, however, there is little doubt in my mind that the political dangers of ignorance far outweigh any conceivable advantage.

Yours sincerely,
ARNOLD [HEENEY]

[PIÈCE JOINTE/ENCLOSURE]

Le président de l'état-major du Canada
au secrétaire du Comité des chefs d'état-major des États-Unis

Chairman, Canadian Joint Staff,
to Secretary, Joint Chiefs of Staff of United States

CJS 263-4 [Washington], February 27, 1956

TOP SECRET

I have been directed by the Chairman of the Canadian Chiefs of Staff to reply to your memorandum SM-126-56 dated 14 February 1956.

2. The Canadian Chiefs of Staff agree that it would be desirable to study methods of integrating in peacetime operational control of continental elements of the air defence of North America. They suggest that this study be undertaken by an ad hoc group of US and Canadian Air Force Officers reporting separately to the Canadian and United States Chiefs of Staff through the Chiefs of Air Staff. The composition of the group would be mutually determined by the Chiefs of Air Staff.

3. The Canadian Chiefs of Staff further suggest that to avoid raising delicate political problems the ad hoc group should limit their discussions and recommendations to the problems of operational control. They point out that this subject of operational control is very sensitive politically in Canada and that it is important that there should be no leakage of information regarding the proposed group or the subject of its discussions to the press.

H.A. SPARLING

23. DEA/50210-F-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

PERSONAL AND TOP SECRET Washington, April 11, 1956

Dear Mike [Pearson],

I hope that I am not burdening you with too many letters on continental defence, but at least this one has a rather more cheerful message than I could find in my letters of April 6 and 10.†

2. Outerbridge Horsey has just told George Glazebrook of the results of the State Department's enquiries about the conversations which have taken place between officers in the Department of Defence and the Joint Staff on the possible placing of atomic weapons in Canada.

3. It has now been learned that the disclosure to the CJS of a possible approach on this subject was not authorized by any high authority in the Pentagon. Horsey said that they raised no objection to the disclosure of the fact of a possible approach, but he was obviously concerned with the tactics that had been suggested. No one knows how the idea originated that the Canadian Government should be approached with a proposal which it would turn down and so enable the Administration to get the Atomic Energy Act amended. But Horsey was anxious for us to know that there was no authority for such an idea and no plan that such a proposal would be made.

4. He added that the State Department will bear in mind the desirability of having informal conversations on whatever plan may in the future be proposed in order to allow for the use of atomic weapons in continental defence. Only a handful of officers in the State Department are aware of this subject at all and we have been given a list of who they are.

5. I am relieved to know that this fantastic idea of using the Canadian Government as a battering ram in Congress has been thoroughly disowned and, further, that whatever suggestions may in future be put forward will be first explored between the State Department and ourselves in a quite informal way.

6. I shall let Sparling know of what we were told this morning.

Yours sincerely,
ARNOLD [HEENEY]

24. DEA/50195-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

SECRET [Ottawa], April 11, 1956

CANADA-UNITED STATES DEFENCE ACTIVITIES

There have been some new developments regarding Canada - United States defence projects about which I believe you will wish to be informed.

2. The first item relates to the extension of the air defence combat zone northward to the mid-Canada warning line. You will recall that this was discussed in general terms in the course of the review of the CF-105 programme last autumn. The RCAF is about to come forward with a request for authorization of joint RCAF - USAF surveys for 26 heavy radar stations, one hundred unmanned gap-filler radar stations, two BOMARC installations (one near Sudbury and the other near Ottawa) which would be manned by the RCAF, and a SAGE (semi-automatic ground environment) sector in connection with the BOMARC installations. The site surveys would of course be without prejudice to subsequent authorization of construction or to the inter-governmental arrangements covering these projects. The Canada-United States Military Study Group and its Scientific Advisory Team have launched a study of "the existing and programmed air defence combat system northward to the Mid-Canada line". It is expected that the proposal will subsequently be discussed at the PJBD, perhaps at the July meeting.

3. The extension of the combat zone northward to the Mid-Canada line is, of course, related to the problem of the integration of operational control of the continental air defences and to the introduction of atomic weapons into the air defence system. The integration study agreed upon by the Chiefs of Staff of the two countries has not yet got under way, and so far there have been no further advances by the United States authorities concerning the introduction of atomic weapons into Canada.

4. The second item is the long-expected appearance of a U.S. request to carry out site surveys for the possible construction of up to eleven Strategic Air Command tanker squadron bases in Northern Canada.[25] The prospective sites are as follows:

1. Coral Harbour (Southampton Island)
2. Saglek or Resolution Island (North end of Labrador coast)
3. Knob Lake
4. Namao (Edmonton)
5. Cold Lake (RCAF missile establishment)
6. The Pas
7. Fort Churchill
8. Frobisher
9. Chimo
10. Winisk (on Mid-Canada line, West side of James Bay)
11. Great Whale River (on Mid-Canada line, East side of James Bay)

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[25] Voir les documents 106 et 107.
See Documents 106 and 107.

5. The nature of the requirement and the details of the United States plan have been developed in an exchange of letters between Major General Briggs and Air Vice Marshal Dunlap, the U.S. and Canadian Air Force Members of the PJBD (copies attached†). This project is also expected to be considered at the May meeting of the PJBD. The RCAF has already indicated informally to the USAF that irrespective of the decision on the other prospective sites, Namao and Cold Lake are not likely to be available.

6. Finally, we have been informed quite unofficially "from a usually reliable source" that a proposal will be put forward in the next two or three months for the construction of five very large radars for tracking intercontinental ballistic missiles.[26] Two of these radars would probably be on the DEW line and three on the Mid-Canada line. An indication of the size of these stations can be gained from the report that the "sail" of the rotating antenna is 200 feet wide. The establishment of these radars would, of course, be the first step in the possible development of a system of defence against inter-continental missiles.

7. I have attached for convenient reference a copy of the DL(1) memorandum of March 12, 1956,† summarizing the principal United States defence activities in Canada.

J. L[ÉGER]

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25. PCO

Extrait du procès-verbal de la réunion
du Comité du Cabinet sur la défense

Extract from Minutes of Meeting
of Cabinet Defence Committee

TOP SECRET [Ottawa], April 19, 1956

Present:

The Prime Minister (Mr. St-Laurent), in the Chair,
The Minister of National Defence (Mr. Campney),
The Minister of Defence Production (Mr. Howe),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Finance (Mr. Harris).
The Secretary (Mr. Martin),
The Military Secretary (Captain Lucas).
The Chairman, Chiefs of Staff (General Foulkes),
The Chief of the Air Staff (Air Marshal Slemon),
The Chief of the General Staff (Lieutenant-General Graham),
The Chief of the Naval Staff (Vice Admiral DeWolf).
The Secretary to the Cabinet (Mr. Bryce),
The Deputy Minister of National Defence (Mr. Miller),
The Deputy Minister of Defence Production (Mr. Golden),
The Deputy Under-Secretary of State for External Affairs (Mr. Macdonnell),
The Assistant Deputy Minister of Finance (Mr. Deutsch),
The Assistant Deputy Minister of Finance (Mr. Plumptre).

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II. ADDITIONAL REGULAR FORCE AIR DEFENCE SQUADRONS AND BASES; REDUCTION OF NATO AIRCREW TRAINING

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[26] Note marginale :/Marginal Note:
Problems are looming! L.B. P[earson]

4. *The Minister of National Defence* recalled that when the Committee had considered the implications of proceeding with the CF105 aircraft programme in the fall,[27] it had been informed of other requirements of the North American air defence system. These plans, which had been developed by the Air Defence Commands of both Canada and the United States, indicated that 18 all-weather air defence squadrons located on 18 air defence bases in Canada were required. The Chiefs of Staff felt that only 15 bases were needed, of which two or three might become long-range (BOMARC) missile stations. It had originally been anticipated that the 10 Auxiliary fighter squadrons would have been re-equipped with CF-100's but it was now agreed that the conditions required for efficient operations in modern air defence were too exacting to impose on reserve forces and that flying the CF100 was too heavy a demand to place on part-time aircrews. The gap thus created would have to be filled by increasing the number of regular force all-weather air defence squadrons. The first step in this expansion of the regulars would involve an increase of three all-weather squadrons, three new bases and the completion of six partially developed bases. This would require $56.4 million for base construction, spread over four years, $53.3 million for aircraft for three new squadrons, and an annual recurring cost of $36.1 million and added manpower. The manpower requirement could be met almost entirely by a proposed reduction of NATO aircrew training to be subsequently discussed. The increased costs for the regular force would be partially balanced by the reductions in NATO training and in the expenditure which would have been necessary to re-equip the 10 Auxiliary squadrons with CF100's and ground facilities.

The Minister, on the recommendation of the Chiefs of Staff, proposed that approval in principle be given for an increase from the existing five bases and nine regular force fighter squadrons to a total of 15 regular force squadrons deployed on 15 bases; specifically, authority was sought for formation of three additional CF100 squadrons by May, 1958; the improvement of six existing bases to bring them up to operational standards as main or satellite fighter bases; the development of three new satellite bases; and site surveys and planning for the bases on which squadrons would be redeployed in the second phase of the programme.

5. *Mr. Campney* pointed out that one new feature of the programme was the concept of a main base on which there would be the principal maintenance facilities, married quarters, repair depots, etc., and two satellite fields connected with each main base which would be purely operational and where there would be the minimum of amenities. This would create morale and personnel problems for the Air Force but they were prepared to accept these problems in order to effect a saving in expenditures.

As regards the question of NATO aircrew training, the original agreement would end with the intake year of 1957-58. However, the plan, which had as its aim the initial manning of the front-line aircraft of the countries concerned, would appear to have reached its goal by 1957. Canada would, by that time, have trained sufficient pilots to man 80% of the operational forces assigned to SACEUR. The NATO Council had agreed that maintenance of force goals was a national responsibility and it would appear that aircrew training to meet attrition fell into this category. SACEUR felt that, with the exception of a small requirement for Norway, Denmark and Holland, the other countries which had benefited from the Canadian programme were capable of replacing their aircrew attrition. The Chiefs of Staff considered it would be inadvisable to renew the existing Canadian-NATO aircrew training scheme on the completion of the 1957-58 period and thought instead that possibilities should be investigated of making other arrangements with Norway, Denmark and perhaps Holland for a limited number of students who could be fitted into the R.C.A.F. training system without the requirement for special facilities. They also felt that consideration might be given to the preparation of further mutual aid programmes to assist NATO countries to increase their air training self-sufficiency. Such programmes might include Harvard and T33 jet trainers which would become surplus as a result of curtailment of training in Canada. The proposal would result in a manpower saving of about 495 officers, 1870 airmen and 580 civilians, and an annual financial saving of about $31 million. These savings were urgently required to apply against the costs of the air defence build-up in Canada. He recommended that the Canadian NATO air training scheme be terminated upon completion of the 1957-58 period and that investigations be made with a view to training a limited number of Norwegian, Danish and Dutch personnel in Canada without involving additional facilities.

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[27] Voir volume 21, les documents 319 et 321./See Volume 21, Documents 319 and 321.

Explanatory memoranda had been circulated.

(Minister's memoranda, April 16, 1956 — Documents D2-56† and D3-56).†

6. *The Secretary of State for External Affairs* said he had no desire to question the necessity for new squadrons in Canada but to meet the added costs by the abandonment of mutual aid aircrew training might be difficult and embarrassing. There were political considerations in the proposal which should be taken into account and he hoped that the proposal to reduce mutual aid in this manner to find some of the money for increased facilities at home would not be approved until he had further time to study the matter. This was another stage in the dilemma of balancing continental and European commitments. If we could not undertake both, it might well be that we would have to withdraw from Europe, but this should be done gradually and with the minimum political disadvantages. He would not like to see a decision to reduce NATO aircrew training taken until its implications for NATO had been fully considered. For example, the Cyprus question would probably be discussed at the next NATO Council meeting in a few days' time and at this very moment Greece had requested, through our Ambassador in Athens, a number of vacancies in the air training programme. He was not arguing against the proposition as such, but before a decision was taken he wanted to "prepare the way" with the other countries involved.

7. *During the discussion* the following points emerged:

(a) The programme had been a successful one but the job had in fact been done. Certain countries who had training facilities had reduced them while continuing to send personnel to Canada just because ours were available. Furthermore, not all the vacancies were being filled and the cost of the plan was exceedingly high. Except in the case of Norway and Denmark and, to a lesser extent, Holland, the continuation of training of aircrew for other NATO countries did not now seem necessary.

(b) The future of the 10 Auxiliary fighter squadrons had still to be settled but it was thought at the moment that the six squadrons in Vancouver, Toronto and Montreal would be re-equipped with F86's which would become available when the four regular squadrons of the Air Division were re-equipped with CF100's, and that the other four squadrons would be assigned non-flying roles. The Auxiliaries, particularly those in the larger cities, provided an excellent nucleus for expansion in the event of an emergency.

(c) If mutual aid were to be continued the programme would be much more useful if the money were spent on aircraft and equipment to be transferred abroad rather than on continuation of the aircrew training programme.

8. *The Committee* deferred decision on the proposals to provide additional Regular Air Force defence squadrons and bases and to reduce the NATO aircrew training programme

pending further examination interdepartmentally of their implications and the conclusion of the NATO Ministerial Council meetings being held in Paris next month.[28]

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26. DEA/12349-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], May 7, 1956

TEXAS TOWER ON BROWN'S BANK

You may recall that in my memorandum of November 22, 1955,[29] I drew to your attention a problem which we are encountering concerning the United States proposal to erect a Texas Tower on Brown's Bank about 75 miles south of Cape Sable, Nova Scotia.

2. After consultation with the Inter-departmental Committee on Territorial Waters and with the United States Section of the PJBD, it was agreed that the appropriate way to deal with this problem would be to have a suitable entry in the PJBD Journal.

3. The entry proposed by Canadian officials and submitted to you for approval, read as follows:

"The Board agreed that the establishment of a 'Texas Tower' on Brown's Bank off the coast of Nova Scotia was needed as an off-shore extension of the North American Early Warning System for Air Defence and noted with approval the intention of the U.S. Air Force to construct such a tower. The Board urged that precautions be taken during the construction period to avoid undue damage to the fisheries on Brown's Bank and suggested that at the appropriate time the necessary data be forwarded to the appropriate authorities of both governments for inclusion in Notices to Mariners."

You agreed but suggested insertion of the phrase "on the Canadian continental shelf" after "Nova Scotia". This proposed entry was submitted to the United States Section of the PJBD for its consideration.

4. The United States State Department has objected to the use of the phrase "on the Canadian continental shelf". It argues that it would be inappropriate for the United States to acquiesce in calling Brown's Bank, at this time, a part of the Canadian continental shelf — pending, first of all, the assertion of a claim by Canada to the continental shelf and, secondly, an agreement between the two Governments to define the boundary of the shelf in the region of Brown's Bank.

5. By virtue of any proposed or reasonable methods of defining the boundary of the shelf the site of the Tower would normally be on that part of the continental shelf which would be under Canadian jurisdiction. Nevertheless it is possible that it might be agreed, in negotiations to define the boundary, that Brown's Bank is on the United States continental shelf, if, for instance, a bargain were struck. To this extent, therefore, the United States opposition to the use of the phrase "on the Canadian continental shelf" is valid.

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[28] Voir aussi volume 22, le document 444.
See also Volume 22, Document 444.

[29] Voir/See Volume 21, Document 340.

6. In an attempt to obtain United States acquiescence in our proposal, we suggested, on a tentative basis, that a provision be added to our proposed entry to the effect that the use of the expression "Canadian continental shelf" was not intended to pre-judge the question of the definition of the boundary.

7. Because of our concern about the inference of the action of the United States in building the Tower and the procedure which they might adopt for applying United States laws to the site, we also proposed that these actions should not be construed as pre-judging the future definition of the boundary.

8. The Legal Adviser recently discussed this proposal with a representative of the State Department. The State Department is still opposed to the use of the expression "Canadian continental shelf" and asked if we would reconsider our stand. The State Department would prefer a description of the site using the latitudinal and longitudinal coordinates only.

9. I think we could agree to a "neutral" entry which might simply name the coordinates of the Texas Tower, without prejudicing the Canadian position. The very fact of there being an entry concerning this particular tower in the PJBD Journal infers recognition by the United States of a Canadian interest, no entries having been made in the PJBD Journal in respect of the other more southerly towers.

10. I do believe, however, that if we agree to such an entry we should seek to have a clause included to ensure that any possible future formal action by the United States Government to have United States law apply to the Tower should not be deemed to pre-judge the future definition of the boundary of the shelf. If you agree, and providing Mr. Campney concurs, I suggest that the Secretary of the Canadian Section of the PJBD be instructed to propose the following entry:

"The Board agreed that the establishment of a Texas Tower on Brown's Bank, latitude 42° 46'N, longitude 66° 12'W was needed as an offshore extension of the North American Early Warning System for Air Defence and noted with approval the intention of the U.S. Air Force to construct such a tower. The Board urged that precautions be taken during the construction period to avoid undue damage to the fisheries on Brown's Bank and suggested that at the appropriate time the necessary data be forwarded to the appropriate authorities of both governments for inclusion in Notices to Mariners.

It is understood that neither the erection, establishment and maintenance of the Texas Tower on Brown's Bank nor the application of United States laws thereto is intended to prejudge the delimitation of the boundary of the continental shelf between Canada and the United States which may be established at some future time by agreement between the two Governments."[30]

M.W. WERSHOF
for Under-Secretary of State
for External Affairs

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[30] Notes marginales :/Marginal Notes:

OK L.B. P[earson]

Note — I assume that we now go at N[ational] D[efence] for Mr Campney's OK & then I can tell Yingling. M. W[ershof] May 11

La Commission permanente mixte de défense a accepté d'inclure ces deux paragraphes sous forme d'entrée à son Journal pour la réunion qui a eu lieu du 9 au 12 juillet 1956 à East Lansing, au Michigan.
The Permanent Joint Board on Defence agreed to include these two paragraphs as an entry in its Journal for its meeting of July 9-12, 1956 in East Lansing, Michigan.

27. **PCO**

Extrait du procès-verbal de la réunion du Comité du Cabinet sur la défense

Extract from Minutes of Meeting of Cabinet Defence Committee

TOP SECRET [Ottawa], June 13, 1956

Present:

The Prime Minister (Mr. St-Laurent), in the Chair,
The Minister of Defence Production (Mr. Howe),
The Minister of National Defence (Mr. Campney),
The Minister of National Health and Welfare (Mr. Martin),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Finance (Mr. Harris).
The Minister of Northern Affairs and National Resources (Mr. Lesage). (For Items III, IV and V)
The Secretary (Mr. Martin),
The Military Secretary (Captain Lucas).
The Chairman, Chiefs of Staff (General Foulkes),
The Chief of the Air Staff (Air Marshal Slemon),
The Chief of the General Staff (Lieutenant-General Graham),
The Chief of the Naval Staff (Vice Admiral DeWolf),
The Chairman, Defence Research Board (Mr. Zimmerman).
The Secretary to the Cabinet (Mr. Bryce),
The Deputy Minister of Welfare (Dr. Davidson),
The Deputy Minister of Defence Production (Mr. Golden),
The Deputy Under-Secretary of State for External Affairs (Mr. Macdonnell),
Mr. R.G. MacNeill, (Department of Finance).

. . .

II. ADDITIONAL REGULAR FORCE AIR DEFENCE SQUADRONS AND BASES

5. *The Minister of National Defence* recalled that this item had been deferred because it had anticipated that most of the recurring cost would be met from the saving involved in the reduction of the NATO aircrew training plan.

An explanatory memorandum had been circulated.

(Minister's memorandum, April 16, 1956 — Document D2-56†).

6. *During the discussion* the following points emerged:

(a) Most of the facilities proposed in the programme, except for the hangars, would be useful if and when some of these bases were converted to missile (BOMARC) installations. The U.S. had in the planning stage a series of BOMARC installations, running roughly along the 48th parallel, with the possibility that two of these would be in Canada, at North Bay and Ottawa. It could be said, however, that both Canadian and U.S. military authorities felt that for some time to come the air defence would consist of a combination of manned and unmanned fighters. BOMARC appeared to be a good missile but by its very nature it was subject to electronic countermeasures.

(b) The planners of both countries had originally envisaged 18 air defence bases in Canada. The proposal under consideration involved 15. Was there any possibility of the U.S. accelerating pressure for the establishment of three more to bring the total up to the

18 originally considered? In reply, it was said that any such proposal would receive the most searching examination before it was accepted.

(c) The cost of Phase I of the programme could be met from within the scale of present defence expenditures now contemplated, as the aircraft programme contracting and there would be a tapering off of construction and savings in NATO aircrew training. The financing of the programme should be considered in detail with officials of the Department of Finance.

7. *The Committee* approved the proposal of the Minister of National Defence for increasing the number of regular air force air defence squadrons and bases, and agreed to recommend:

(a) that, in principle, the existing five regular force fighter bases and nine fighter squadrons be increased to fifteen regular squadrons deployed on fifteen air defence bases, the plan to be implemented in two phases;

(b) that authority be given to implement the first phase, which would consist of the formation by May, 1958 of three of these additional CF100 squadrons, the improvement of six existing bases at Bagotville, North Bay, Gimli, Namao, Casey and Val d'Or to bring them up to operational standards as main or satellite bases and the development of three new satellite air defence bases at Kapuskasing, Nakina and Sunstrum, at a total capital cost of $109,752,000 with an annual recurring cost of $36,174,000; it being understood that the funds for these purposes would be found from within the total defence expenditures now contemplated; and

(c) that the site surveys, the preliminary design and the planning required for the bases on which squadrons would be redeployed in phase two of the programme be approved.

III. JOINT SITE SURVEYS FOR THE NORTHWARD EXTENSION OF THE AIR DEFENCE COMBAT ZONE

8. *The Minister of National Defence* said that with the emergence of the Soviet nuclear weapons and long range jet bombers, U.S. and Canadian air defence commands had been participating actively in plans to improve the defence of the continent so that the retaliatory force of the U.S. Strategic Air Command could be reasonably protected. It was proposed that part of this defence consist of a line of BOMARC missiles from coast to coast crossing the U.S. and Eastern Canada at roughly the 48th parallel. To the north of this would be a line of all-weather interceptor squadrons, the expansion of which had been referred to in the previous item.

To make interceptions, the defending force were entirely dependent upon the control provided by ground radars and computing systems. With the increase in speed and range of possible attackers, the control system should expand beyond the northern fringe of the Pinetree system. In other words, there was a requirement for more heavy radars, the data gathering rate must increase and be continuous, and existing radars must be improved and the means of utilizing information made more automatic. Two courses of action now appeared necessary. First, the effectiveness of the proposed system should be further evaluated and secondly, if the radars were to be available in time to meet the threat, there should be a programme of site surveys. It would be natural to await the evaluation before undertaking the surveys but to do so would mean no progress this summer and the whole project might be set back one year. It would therefore seem sound to proceed with the surveys at this time. It was planned that they be joint Canadian-U.S. undertakings with each party comprising both Canadian and U.S. personnel.

The Minister recommended, on the advice of the Chiefs of Staff, that joint site surveys be conducted throughout Canada during the coming summer without prejudice to any subsequent consideration concerning the ultimate approval, construction and operation of the proposed facilities or the extent of Canadian or U.S. participation in the overall programme.

An explanatory memorandum had been circulated.

(Minister's memorandum, June 11, 1956 — Document D6-56†).

9. *During the discussion* the following points emerged:

(a) If the recommendation were approved it would mean, in effect, a commitment to an expansion of U.S. facilities in Canada. This general northern movement of continental air defence facilities was inevitable. The U.S. would be asking Canada to undertake heavier burdens in this field or ask that they themselves carry them out or assume a large share. The impact on public opinion of a programme for which the surveys were designed would be very great. It would be desirable to delay approval of it. On the other hand, it was argued that this would not decrease the pressure for improving continental defences but would only shift it in a way which might have more unfortunate effects than otherwise.

(b) The cost of improving detection and control was very great indeed. Canada might do the job if all our forces were withdrawn from Europe. This, however, would have serious repercussions on the alliance. On the other hand, the north was a NATO sector and was becoming more and more vital in the defensive scheme of things. We should be very careful before rejecting the plan which, as could be seen, raised a number of important issues.

(c) Authority was being sought to survey 26 heavy radar sites and over 60 gap fillers, but how many might eventually be constructed was impossible to say at this time. If the investigations could be undertaken under Canadian auspices and if it could be said that they were being carried out to determine the feasibility of pushing the defences northward, the plan would be more palatable than that originally suggested. However, there had to be some U.S. participation, otherwise the U.S. authorities would have no confidence in the results.

(d) The Chiefs of Staff were not yet convinced of the soundness of the project, the manning of which, if it were implemented in full, would involve 15,000-18,000 personnel. The project was for the air defence of North America and not purely the U.S., although the latter would gain most from it since the net overall effect would be to increase the value of the deterrent. The whole programme might cost as much as $1.5 billion.

(e) This kind of defence would be useless in the age of the intercontinental ballistic missile which some thought might arrive on the scene as soon as 1960. If this were the case there would be no point in spending any money on improving detection and control machinery when those improvements would be available just as the missile was operational. It was argued, on the other hand, that the missile could not be available in sufficient quantities until 1965 at the earliest, and a better ground environment system would be necessary before then.

(f) It would not be too expensive for surveys to be undertaken by Canada. They would be done under contract and the numbers of personnel involved would not be too great. A good proportion of the work would consist of the interpretation of aerial photographs already taken.

10. *The Committee* noted the report of the Minister of National Defence on proposals for the improvement and extension northward of the Air Defence System of this continent and agreed to recommend that site surveys be authorized, during the 1956 summer season, for additional heavy radars and gap-fillers; such surveys to be conducted under Canadian auspices and at Canadian expense at a cost of approximately $500,000 with such participation by as many U.S. personnel as may be necessary, it being understood that this decision

would not in any way imply approval of the provision of any additional facilities or of the extent to which Canada or the United States, or both countries jointly, might participate in the programme.

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28. DEA/50210-F-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1721 Washington, September 20, 1956

TOP SECRET
Reference: DL547 Mar 23.†
For Under-Secretary

CONTINENTAL DEFENCE

At his request, I called yesterday on Burke Elbrick, Acting Assistant Secretary for European Affairs. Air Commodore Cameron and Glazebrook went with me, and Elbrick had with him General Loper (Assistant to the Secretary of Defence for Atomic Energy), Farley from the Office of the Adviser on Atomic Energy in the State Department, and Parsons, the Director of the British Commonwealth and Northern European Office.

2. I found on arrival that Elbrick wished to raise the question I anticipated in my telegram 498 of March 16† and to do so in the informal manner suggested in paragraph 3 of your telegram DL529 of March 21. The suggestions and the explanation made were virtually those informally indicated to the CJS in January.

3. The new weapons, Elbrick explained, called for a reconsideration of this aspect of continental defence. Nuclear weapons for continental defence would soon be available, and first in the form of air-to-air guided missiles with atomic warheads. These were considered to be suitable since tests showed a high probability of destruction. (The RCAF will be aware of the weapons and equipment involved) and papers on this subject have recently been forwarded to Ottawa by the CJS.

4. It followed, Elbrick suggested, that there should be now consideration of the integration of these weapons into the continental defence plans. The necessary political "pre-authority" for use of such weapons over USA territory had been given by the President. The USA legal authorization would now permit of training of Canadian personnel but would not, however, extend to custody of atomic weapons on Canadian soil except by USA personnel, for which amendment to the law would be needed.

5. A period of years is anticipated for the development of a situation in which atomic weapons would be integrated into continental defence. The first stage would involve air-to-air missiles, and the overflying of Canadian territory by USA aircraft armed with atomic weapons. Later it would be necessary to discuss arrangements for ground-to-air missiles launched from USA soil. It will be necessary, too, to examine the forces required, bases, training of Canadian personnel, and joint rules of engagement.

6. Having outlined the matters to be examined, Elbrick asked for Canadian views on the means by which this examination should be made. He mentioned that there were a number

of bilateral bodies one or more of which could be employed, but preferred that suggestions on procedure should come from the Canadian Government. I made no comments on this point except to suggest that whatever machinery is adopted for immediate purposes should be one suitable for successive stages of atomic questions for air defence.

7. There are obviously some difficult aspects to this proposal, as have already been indicated in the memo prepared by Mr. Bryce (your telegram DL547 March 23). One element in this situation perhaps is the desirability of relating the various questions concerning continental defence which have in one manner or another been raised. One of these for example, is integrated command. However, the immediate subject of this telegram is in itself difficult enough. I did indicate at our discussion in the State Department that if the USA administration placed so much emphasis on the importance of employing atomic weapons in Air Defence, it would seem to be in their interest to adjust their own legal position so as to avoid restrictions which would at best offer difficulties to the Canadian Government. The American comments on this were sympathetic but vague.

8. My only suggestion at this stage is that no quick decision should be made on procedure for further discussion. There is obviously an important technical side which could be discussed only by experts. On the other hand, you may be reluctant to initiate a process which would perhaps in a year or more bring us up against policy problems which might perhaps better be solved before the technical studies launched us into an almost set course. I would welcome your preliminary thinking on this matter, but I would not anticipate a decision on procedure until the whole question has been examined in Ottawa from the various points of view involved.

[A.D.P.] HEENEY

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29. DEA/50210-F-40

Le sous-secrétaire d'État aux Affaires extérieures
au secrétaire du Cabinet

Under-Secretary of State for External Affairs
to Secretary to Cabinet

TOP SECRET. NO CIRCULATION Ottawa, September 24, 1956

Dear Mr. Bryce,

CONTINENTAL DEFENCE: USE OF ATOMIC ANTI-AIRCRAFT WEAPONS OVER CANADA

Attached is a copy of telegram No. 1721 of September 20 from our Ambassador in Washington. In his message Mr. Heeney reported that the United States authorities had made the informal approach on the above subject which we have anticipated since last winter.

This matter has most important political and military implications and I agree with Mr. Heeney that no quick decision should be made on procedure for further discussion. Indeed, before putting forward suggestions on procedure and before coming to grips with the political aspects of the matter, I feel that we should have more details on its military and technical aspects. While entirely agreeing with Mr. Heeney's word of caution lest discussions of the technical side by experts "indicate a process which would perhaps in a year or more bring us up against policy problems which might perhaps better be solved before the technical studies launched us into an almost set course", I feel that there would be considerable advantage to be gained by arranging for an ad hoc meeting of experts from the RCAF and the United States Air Force in order to obtain more technical detail as to exactly what is involved in the United States proposal.

After the required clarification had been obtained through inter-Air Force channels, we would be in a better position to make suggestions to the United States authorities regarding the procedure for further discussion. In this connection, I feel that this problem should not be treated as an isolated matter but rather as part of the general problem of the air defence of North America. I am asking General Foulkes, to whom I am sending a copy of the attached telegram, how he thinks it can best be arranged to obtain through Air Force channels the information needed.

I think it desirable that you and General Foulkes and I meet before long to discuss the whole question. I have made a similar suggestion to General Foulkes.

Yours sincerely,
JULES LÉGER

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30. DEA/50210-F-40

Le président du Comité des chefs d'état-major
au sous-secrétaire d'État aux Affaires extérieures

Chairman, Chiefs of Staff Committee,
to Under-Secretary of State for External Affairs

TOP SECRET. NO CIRCULATION. Ottawa, September 25, 1956

Dear Mr. Léger:

CONTINENTAL DEFENCE

With reference to your letter of 24 September† and the attached telegram from Mr. Heeney regarding the United States informal approach on the use of atomic anti-aircraft weapons over Canada.

In Washington last Thursday I discussed this matter informally with Mr. Heeney, and, as you are aware, we gave this subject a preliminary examination prior to the Prime Minister's visit with the President at White Sulphur Springs last April. I entirely agree with you that this is a very difficult and complicated political and military problem and all aspects of it should be carefully studied before we ask the government to take decisions.

As you will realize, this problem is very closely associated with the question of the control of air defence forces, which is now being studied by a special Study Group set up by the two Chiefs of Air Staff. My preliminary examination of this problem leads me to believe that we will not be able to give a firm answer regarding procedure until we have ascertained the results of this study of command and control.

In your absence, I have had a talk with Mr. Bryce on this subject and we suggest that it should be placed on the agenda of a Chiefs of Staff meeting to be held at 1000 hours on Wednesday, 3 October, at which time we could have a preliminary discussion. It is my intention to circulate to the Chiefs Mr. Heeney's telegram together with a copy of your letter and my reply and a copy of the aide mémoire prepared by Mr. Bryce and myself for the Prime Minister's information at the meeting at White Sulphur Springs.

Would you let me know earliest whether you agree to this matter being discussed at the Chiefs of Staff meeting next Wednesday, and whether you would find it convenient to attend.

Yours sincerely,
CHARLES FOULKES

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31. DEA/50210-F-40

Note du chef de la 1ère Direction de liaison avec la Défense pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Defence Liaison (1) Division, to Under-Secretary of State for External Affairs

TOP SECRET. NO CIRCULATION. [Ottawa], October 2, 1956

AGENDA ITEM 4, 597TH MEETING OF CHIEFS, 3 OCTOBER 1956

CONTINENTAL DEFENCE

In your letter of September 24 to General Foulkes, which is one of the documents to be considered under this item, you expressed the view that "there would be considerable advantage to be gained by arranging for an ad hoc meeting of experts from the RCAF and the United States Air Force in order to obtain more technical details as to exactly what is involved in the United States proposal".

2. On reflection, I wonder whether even a technical meeting of this kind should take place without the approval of the Cabinet Defence Committee, or even the full Cabinet. I think that, in a matter of this importance, with its many political and military implications, it is most desirable that no step should be taken by officials, without specific authority from the Government, which might be interpreted as negotiation rather than as fact-finding or which might later be construed by the U.S. authorities as implying tacit approval of any aspect of their proposal. Mr. Heeney, in his letter of April 6 to Mr. Pearson, strongly expressed fears of this kind, with regard both to the inter-service talks which had been inaugurated on the possible integration of operational control of the continental air defences, and to the procedure for dealing with any proposals for the use of atomic weapons over or in Canada.

3. A Memorandum to Cabinet might at this stage merely inform the Ministers of the U.S. approach on the basis of Mr. Heeney's message of April 6 and request authority for the RCAF to conduct exploratory conversations at the technical level as suggested in your letter of September 24 to General Foulkes. When this further information has been obtained, consideration should be given to preparing another comprehensive brief on developments in continental air defence of the kind which was given to Ministers when they considered the CF-105 programme a year ago.

G. IGNATIEFF

32. DEA/50210-F-40

Procès-verbal de la réunion du Comité des chefs d'état-major
Minutes of Meeting of Chiefs of Staff Committee

TOP SECRET. LIMITED CIRCULATION. [Ottawa], October 3, 1956

Present

Chairman, Chiefs of Staff (General Foulkes)
Chief of the Air Staff (Air Marshal Slemon)
Chief of the General Staff (Lieutenant-General Graham)
Chief of the Naval Staff (Vice Admiral DeWolf)
Acting Chairman, Defence Research Board (Dr. Field)

Also Present

F.R. Miller, Esq., Deputy Minister National Defence.
R.B. Bryce, Esq., Secretary to the Cabinet.
J. Léger, Esq., Under-Secretary of State for External Affairs.
G. Ignatieff, Esq., Department of External Affairs.
Brigadier Rothschild, Coordinator Joint Staff.
Secretary, Chiefs of Staff (Captain Lucas).

I. CONTINENTAL DEFENCE

1. *The Committee* had for consideration correspondence between the Chairman, Chiefs of Staff and the Under-Secretary of State for External Affairs, concerning continental defence and the use of atomic anti-aircraft weapons over Canada.

(CSC:1855.1 of 26 September 1956).

2. *The Chairman* reported to the Committee that this matter had been raised informally some months ago by U.S. authorities. During his recent visit to Washington he had had some further discussion on the subject, with the Chairman, U.S. Joint Chiefs of Staff, who fully realized the difficult political problem raised for Canada and also the fact that implementation would require changes in U.S. legislation.

3. *General Foulkes* stated that he considered this was a problem which needed a most careful approach and that it would be unwise to place the matter before Cabinet until every angle had been explored. The present discussions on integrated control of air defence with their implication of U.S. control over part of the Canadian airspace was inextricably involved with the problem under discussion. It was his opinion that the Chiefs of Staff had insufficient information to come to any conclusions on this subject and he suggested that the Chief of the Air Staff arrange for a briefing of the Chiefs of Staff on all aspects of the problem to include:

(a) over flights of Canadian territory by the USAF;

(b) the airspace in Canada which at the present time could only be defended by the USAF;

(c) an outline of the proposals for integrated control of air defence;

(d) the size, range and effect of atomic warheads;

(e) the timing of the introduction of air-to-air missiles into both the RCAF and the USAF;

(f) the timing of the introduction of ground-to-air missiles;

(g) limitations of both US and Canadian law on the use of atomic weapons.

4. *The Chief of the Air Staff* reported that the study on integrated control was progressing satisfactorily although not yet completed. He entirely agreed with the Chairman, Chiefs

of Staff, that the matter under discussion should be proceeded with great caution and suggested that any agreement which might be entered into with the United States should include complete exchange of information on atomic defensive missiles. While there had been continued improvement in the exchange of operational information concerning such missiles, technical information which would allow an appreciation of the risks involved in the use of such weapons was still not available.

5. *The Deputy Minister* considered that there were two distinct problems involved:

(a) what arrangements should be made with the U.S., who now have atomic weapons of this category;

(b) whether Canada intends to develop atomic weapons for defensive purposes.

6. *Mr. Léger* was of the opinion that, especially since discussions with the Americans would involve a requirement to change the present U.S. law regarding the exchange of atomic information, certain appropriate Ministers should be briefed on the proposals and their authority sought before any discussions were arranged with U.S. authorities.

7. *The Chairman, Chiefs of Staff* stated that the present requirement was not so much to reach agreement with the United States as to decide what were the appropriate channels for carrying out discussions on this matter.

8. *The Committee agreed* to request the Chief of the Air Staff to arrange a briefing of the Chiefs of Staff concerning this subject at an early date.

F.W.T. LUCAS
Captain, RCN
Secretary

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33. DEA/50210-F-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 2044 Washington, November 9, 1956

TOP SECRET

Reference: Our tel 1721 Sep 20.

CONTINENTAL DEFENCE

For the Under-Secretary, Begins: Air Commodore Cameron has given me a copy of a telegram he has sent today to Air Force headquarters on the above subject. This telegram reads as follows:

"You are no doubt aware communication passed from Defense to Canada via State and External subject introduction atomic capability USA Air Defense Forces. Up until now was not aware that any urgency attached to negotiations but today informed that ADC will have atomic capability as from 01 Jan 1957 and USA desirous of making some official announcement around that time.

"2. In view of above USAF consider it desirable have matter on agenda next PJBD meeting if this is to be forum for negotiation and meanwhile think it would be profitable make informal presentation to any panel in Ottawa whom you think should be informed with object of facilitating discussions and arriving at interim understanding in PJBD.

"3. As I see it immediate problem is one of permission overfly on operational missions to be followed by discussions leading to rearmament of USAF aircraft in Canada and employment by RCAF.

"4. Will have further discussions with Coiner with view isolating problem areas but meanwhile you might advise your reaction to schedule outlined para two. Also suggest you advise External of increased priority on problem with view expediting official reply to State Department.

"5. I have discussed this matter with Ambassador in view contents of his wire 1721 dated September 20 to External, in particular paragraph 8, and am passing him a copy."

2. It now appears that we shall be called upon to give more urgent consideration to this question than first anticipated. Accordingly, I shall be grateful to receive your comments and any instructions you may consider necessary. Ends.

[A.D.P.] HEENEY

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34. DEA/50210-F-40

Le sous-secrétaire d'État aux Affaires extérieures
au président du Comité des chefs d'état-major

Under-Secretary of State for External Affairs
to Chairman, Chiefs of Staff Committee

TOP SECRET. NO CIRCULATION. Ottawa, November 12, 1956

Dear General Foulkes,

CONTINENTAL DEFENCE

Attached is a copy of a telegram from the Canadian Embassy, Washington, No. 2044 of November 9, containing the text of a message from Air Commodore Cameron to Air Force Headquarters on the subject of the introduction of atomic capability in the U.S.A. air defence forces. I assume this message has reached you through the military channel.

2. However, I take this opportunity of making certain comments and proposals on this message which obviously has considerable urgency in view of the time factor reported. First, it is proposed by the USAF that the matter should be considered at the next PJBD meeting. This question of what might be the most appropriate forum for discussions will have to be put to Ministers, but I suggest that an immediate decision is not required. What seems to be most urgent is that all available information about U.S. plans should be available to the Canadian Government in advance of the official announcement by the United States authorities reported to be contemplated for the first of January, 1957.

3. Therefore I hope that you would agree that as the next step arrangements should be made urgently for the briefing of the Chiefs of Staff which I understand is already contemplated. We would see advantages in accepting the U.S. offer and having them make their "informal presentation" to the Chiefs. Such a briefing would then enable the Chiefs to brief Ministers on this problem at a meeting of the Cabinet Defence Committee.

4. However, having in mind the important political implications of this subject and the desirability of avoiding the possibility of misunderstanding that the acceptance of such a briefing might pre-judge the attitude of Ministers to the whole question of the introduction

of the atomic capability in continental defence, I suggest that further correspondence with the U.S. authorities, including acceptance of an informal presentation to the Chiefs of Staff should be conducted through the diplomatic channel, i.e. through Mr. Heeney and the State Department.

Yours sincerely,
R.M. MACDONNELL
for Under-Secretary of State
for External Affairs

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35. DEA/50210-F-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DLDL-511 Ottawa, November 16, 1956

TOP SECRET. IMPORTANT.
Reference: Our tel G1444 Nov 15.†

ATOMIC CAPABILITY IN AIR DEFENCE

1. Following for Heeney from Macdonnell: In view of the sensitivity of this subject Cameron's instructions† are being sent to him by hand of an officer. He has been instructed to inform you of the contents of his instructions.

2. The Chiefs of Staff are requesting the USAF to brief them any day during the week November 19-23 except 22 November (when Gruenther will be here). It is hoped that after this briefing recommendations can be made to the Government on what further steps should be taken to reach a decision on the problem.

3. We believe you should keep the State Department informed of developments. As we suggested in our telegram under reference we believe you should tell the State Department that we are giving active consideration to the question of what might be the best forum for the continuing examination of this question but that no decision has been reached as yet on the point. You should stress as well that the briefing which the USAF will be giving in Ottawa should in no sense be regarded as negotiations. On the Canadian side we are solely interested in acquiring the further information which is essential if this subject is to be carried further.

4. In a sense your approach to the State Department should be treated as an interim response to the USA approach made on September 19 and which was dealt with in your telegram 1721 of September 20. Admittedly you cannot carry the subject much further at this point but its complexity and importance require that it be handled very cautiously. We are interested as we know you are in having the State Department participate in discussions of this subject as they progress.

5. In your telegram 1721 of September 20 you relate this question of atomic capability to that of the problem of integrated command. You should be aware that in the last few days a

sub-committee of the military study group has completed a study[31] and has concluded that in order to provide the most effective air defence of North America the operational control of the Air Defence Forces of Canada and the USA should be integrated and should be delegated to a single commander. The conclusions of this relatively low level body have of course a good deal of processing before them. Some informal attention was given to this subject at the special meeting of the Chiefs of Staff Committee held November 15. While you should be aware of these developments it is clear that the subject has not progressed far enough to be discussed with the State Department. If in the course of any discussions you have with the State Department on the subject in hand this matter of integrated control arises we believe your comments should be non-committal at this stage.

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36. DEA/50210-F-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM GG-3 Ottawa, November 21, 1956

TOP SECRET. IMPORTANT.
Reference: Your telegram 2118 of November 20.†

CONTINENTAL DEFENCE

Following from Macdonnell, Begins: Chiefs of Staff with Bryce and myself present were briefed today.

2. Briefers emphasized:

(a) Extremely limited use of weapon proposed by USAF i.e. engagement of aircraft which is not merely possibly hostile but is almost certainly hostile. Briefers stated that up to the present even if USAF had possessed this weapon no occasion has arisen on which they would have sent up an aircraft armed with it. Proposal is further limited in that it involves only one sector in Canada north of a base in Michigan.

(b) Numerous and complicated safety features designed to prevent full explosion except when target engaged. The worst that could happen accidentally (e.g. should there be a crash or should a weapon fall off) would be a detonation of high explosive. This could cause slight contamination of a small area where the components landed. Decontamination measures were described as simple.

3. In putting the question before ministers the following points appear important:

(a) Extremely limited use proposed.

(b) Safe features. USAF will arrange for RCAF team of experts to examine most of the safety devices with a view to enabling the Chief of the Air Staff to assure ministers that safety measures are satisfactory.

(c) Adequate arrangements to be made for immediate notification to the Canadian authorities at a high level if an aircraft thus armed is sent into Canadian Air.

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[31] La version finale de cette étude a été réimprimée sous le document 41.
The final version of this study is reprinted as Document 41.

(d) Adequate arrangements to be made for disposal and decontamination in case of accident. USAF are willing to train RCAF personnel and would remove debris promptly.

(e) Coordination of public statements in the United States and Canada.

4. It was agreed at the meeting (and the U.S. briefers informed) that the quickest way to present the problem to ministers would be to prepare a draft exchange of notes embodying minimum United States requirements, stressing limited use and possibly including a reference to safety features. It was further agreed that this could best be done in Washington by the Embassy (including Cameron who attended the meeting) with the USAF and the State Department. It was emphasized to the briefers that this procedure implied no Canadian commitment at this stage and was simply a rapid technique for submitting a proposal to ministers in concrete terms. At the same time it was made clear that service chiefs and civil officials viewed the proposals sympathetically.

5. Would you therefore endeavour as soon as possible to draft and send us an exchange of notes satisfactory to the USAF and the State Department bearing in mind the considerations in paragraph three above. Ends.

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37. DEA/50210-F-40

Note de la 1re Direction de liaison avec la Défense

Memorandum by Defence Liaison (1) Division

TOP SECRET [Ottawa], December 14, 1956

CONTINENTAL DEFENCE ATOMIC CAPABILITY

We learned, only on December 13, that a meeting of Cabinet Defence Committee would be held on Wednesday, December 19. To our surprise we learned as well that the Department of National Defence plan to submit to Cabinet Defence Committee recommendations on the subject of the introduction of nuclear capability into the continental air defence system. The memorandum to Cabinet Defence Committee on the subject was not available at the time of writing this memorandum (December 14). We were promised a copy of it, however, as soon as it was available.

2. It was our understanding that a submission to Cabinet Defence Committee on this subject would await developments in Washington where our Embassy was to work out with United States authorities a draft exchange of notes. The Embassy was to reach agreement as well with United States authorities on the question of timing of the public release planned by the American authorities of information concerning the introduction of nuclear capability into the air defence system. We made this point to Colonel Raymont in the office Chairman, Chiefs of Staff. He informed us, however, that the Deputy Minister of National Defence believed it essential that a recommendation on the subject should go to Cabinet Defence Committee next week.

3. Under the circumstances we thought it best to call the Embassy today. We spoke to Mr. Rae and asked him to let us have by Monday, December 17, a progress report on the status of the Embassy's negotiations with the State Department in this field. Mr. Rae said that the Embassy would sound out the State Department over the weekend, without making any reference to the possibility that the subject would be considered by Canadian Ministers in the near future. We stressed the importance of reaching agreement with the Americans,

so as to prevent a sudden, unexpected public release in Washington before we were prepared for it here.

J.J. McCARDLE

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38. DEA/50210-F-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 2314 Washington, December 17, 1956

TOP SECRET. IMMEDIATE.
Reference: Our 2305 Dec 14.†
For Macdonnell.

CONTINENTAL DEFENCE

Nugent asked us to call at the State Department this morning to give us the text of the draft note embodying the Pentagon's proposals.

2. The following is the text of the draft note (which is classified "Secret"):

"I have the honor to refer to conversations between representatives of our two governments, which were commenced in the State Department last September, regarding the proposed incorporation of nuclear weapons in USA-Canadian air defense arrangements. Needless to say, such a move would greatly enhance the joint defense capabilities which our two countries have been developing over a period of years.

"As has already been indicated to the Canadian Chiefs of Staff Committee, the initial nuclear capability visualized for air defense will be in the form of an air-to-air rocket (MB-1). This weapon will be issued around January 1/57, to the USA Air Force in small numbers for use in air-defense activities. In order that this new weapon may be given maximum scope in defense activities which affect both Canada and the USA, this Government wishes to propose that the MB-1 be carried by USA military aircraft over Canada under the following terms and conditions:

"1) The initial period during which the Canadian Government will authorize the carriage of MB-1 weapons over Canada will extend for six months from January 1/57 to July 1/57, by which time it is hoped that a more permanent arrangement will have been worked out by the two governments. USA airforce planes so armed will enter Canadian air space only in the event an air defense warning yellow or red is declared. In such an event, the USA planes will largely confine their activities to Canadian territory bordering on the Great Lakes and extending northward to about 50 degrees North latitude. USA planes armed with MB-1 weapons, under air defense warning yellow or red, will be authorized by the Canadian Government to land at, or take off from, Canadian bases in the territory over which they have authority to operate.

"2) In the circumstances visualized above, rules of interception and engagement over Canadian territory shall continue to be those established from time to time by the Canadian Government for interceptor aircraft of the Royal Canadian Air Force operating over Canada. Attached for your info is a copy of the USA interception and engagement instructions and procedures which have been reviewed for their applicability to the employment of atomic weapons and which will become applicable on January 1/57.

"3) The USA Government has taken the utmost precaution in designing the weapon, and will exercise equal precaution in establishing operational procedures, to insure a minimum possibility of public hazard when employment of the MB-1 is necessary. Representatives of the Royal Canadian Air Force have been thoroughly informed by the USA Air Force concerning safety features.

"4) In accordance with current agreed procedures, crashes of aircraft from either country in the territory of the other are reported on a service-to-service bases. During the term of this agreement, the USA will take measures to insure that the Canadian Government is immediately notified of any crash in Canadian territory of a USA aircraft carrying MB-1 rockets.

"5) Detailed arrangements will be made between the USA Air Force and the Royal Canadian Air Force to provide designated RCAF personnel with training necessary for the salvage of MB-1 weapons following an accident. In the event salvage is necessary, the US Air Force is willing to send at any time, upon request, trained personnel to assist in the operation.

"6) The USA Government is now formulating an info program for use in insuring the best public relations possible. Any info released jointly or separately by the two governments concerning this subject will be processed in accordance with the current understanding of March 19/51, which governs the release of publicity relating to joint Canadian-USA defense plans and operations.

"If these conditions are acceptable to your government, I suggest that this note and your reply shall constitute an agreement effective from the date of your reply.

"Accept, Excellency, the renewed assurance of my highest consideration."

3. Our comments, together with comments on question of publicity, follow in a separate message.

[A.D.P.] HEENEY

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39. DEA/50210-F-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 2319 Washington, December 18, 1956

TOP SECRET. IMMEDIATE.
Reference: Our tel 2314 Dec 17.

CONTINENTAL DEFENCE

Although we have not had sufficient time to study the draft note carefully, there are one or two points which occur to us and have no doubt occurred to you.

2. The general line of the draft seems fairly satisfactory although it does not always reflect the precision of the four points contained in paragraph 3 of your telegram GG3 November 21. Point A concerning the extremely limited use proposed is implicit in the

second sentence of the first numbered paragraph. Point B is covered in part in numbered paragraph 3; instead of arranging for an RCAF team of experts to examine most of the safety devices it states that representatives of the RCAF have been thoroughly informed concerning them. Point C is referred to in numbered paragraph one but hardly in a satisfactory manner. (See paragraph four below.) Point D is dealt with in numbered paragraphs 4 and 5 and point E in numbered paragraph 6.

3. In numbered paragraph one, where it is stated that "USA airforce planes so armed will enter Canadian air space only in the event of an air defence warning yellow or red is declared", it is not specified by whom such a warning should be declared. We assume that you would wish this point clarified and your own comments on the draft note will either suggest alternative language or put forward a proposal to remove doubts on the subject. The only comment that we would make in this connection is that this points up the necessity of an early agreement on the subject of alerts (our despatch 1748 December 5)[32] and you will no doubt wish to take Murphy's two letters into consideration when formulating your own comments on the draft.

4. In the same numbered paragraph it seems to be implicit that USA aircraft, once a yellow or red warning has been declared, will automatically be authorized by the Canadian Government to "land at or take off from Canadian bases in the territory over which they have authority to operate." No provision is made for prior consultation in the event that time would allow it as would certainly seem desirable.

5. On publicity, Nugent outlined to us the general thinking at the present moment. The public announcement to be made would be in very general terms emphasizing capability and would not refer to any individual country. It would be made after the distribution of the weapon to USA units had begun to avoid the possibility of press scoops. No date has yet been set for the announcement but the Air Force still hope to be in a position to commence delivery soon after January 1. The announcement will take the form of a routine release by an appropriate government agency or a possible combination of agencies. It will not be made in any speech or press conference, or what Nugent termed a "special oral pronouncement." Nugent also said that the present plan calls for us to be given the text of the announcement "reasonably in advance" and he hopes that this would be as much as two weeks. The text of the announcement is now being prepared in the Pentagon and although the intention is that it should receive approval from the White House before being shown to us, Nugent thought that if we so requested it would be possible to hold working level consultations before the text becomes "frozen".

[A.D.P.] HEENEY

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[32] Voir/See Document 84.

40. PCO

Extrait du procès-verbal de la réunion du Comité du Cabinet sur la défense

Extract from Minutes of Meeting of Cabinet Defence Committee

TOP SECRET [Ottawa], December 19, 1956

Present:
The Prime Minister (Mr. St-Laurent), in the Chair,
The Minister of Defence Production (Mr. Howe),
The Minister of National Defence (Mr. Campney),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Finance (Mr. Harris).
The Minister of Northern Affairs and National Resources (Mr. Lesage).
The Secretary (Mr. Martin),
The Military Secretary (Captain Lucas).
The Chairman, Chiefs of Staff (General Foulkes),
The Chief of the Air Staff (Air Marshal Slemon),
The Chief of the General Staff (Lieutenant-General Graham),
The Chief of the Naval Staff (Vice Admiral DeWolf),
The Chairman, Defence Research Board (Mr. Zimmerman).
The Secretary to the Cabinet (Mr. Bryce),
The Deputy Minister of National Defence (Mr. Miller),
The Deputy Under-Secretary of State for External Affairs (Mr. Macdonnell),
The Assistant Secretary of the Treasury Board (Mr. R.G. MacNeill),
The Assistant Deputy Minister of Defence Production (Mr. Huck).

I. CANADA-UNITED STATES AGREEMENT ON OVERFLIGHTS

1. *The Minister of National Defense* said that by January 1st next certain United States Air Force air defence interceptor aircraft would be fitted with air-to-air atomic weapons. An existing agreement between Canada and the U.S. allowed aircraft of either country near the border to overfly the other's territory in making interceptions of suspected enemy aircraft. The U.S. now sought authority to make such interceptions, under certain conditions, carrying these weapons. The aircraft so fitted would only be committed to making an interception when it was definitely established that a hostile aircraft had entered the air defence system.

A group of Canadian scientists and operational officers had, on the invitation of the U.S.A.F., examined the weapon and reported that the safety devices were adequate to prevent premature or accidental discharge. Furthermore, if an aircraft carrying one of these weapons crashed, or if a weapon was inadvertently dropped, the maximum hazard would be the possible detonation of 200 pounds of high explosive which might scatter the nuclear material over an area about 500 feet square. Only a minor radiation hazard would result and the U.S.A.F. would be willing to decontaminate such an area immediately and were prepared to train Canadians to carry out similar decontamination.

The Chiefs of Staff recommended that interim arrangements be made to meet the U.S. request, pending the making of permanent arrangements after the problem had been studied further. The conditions proposed were that aircraft carrying these weapons would not be used for initial identification interceptions, that they would be used only when it had been definitely established that probably hostile aircraft had entered the system, and that the weapons would not be fired except at a confirmed hostile aircraft. They also recommended that procedures be worked out with the U.S.A.F. for the exchange of information on these interceptions and for the decontamination of areas should this be necessary. A press announcement was also suggested.

He concurred in these recommendations as a temporary measure, pending permanent arrangements after a six-month period.

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 17, 1956 — Document D18-56;† Telegram 2314 of Dec. 17 from Washington was circulated at the meeting).

2. *During the discussion* the following points emerged:

(a) The U.S. authorities had pointed out that up to the present there had never been an occasion when these weapons would have been carried over the United States or Canada.

(b) The U.S. proposed to make an announcement early in the new year concerning the equipment of their interceptors with these atomic weapons and it was thought advisable that Canada should also issue an announcement describing this new capability and pointing out that there was very little danger arising from it. It would be desirable to confine the Canadian announcement to this aspect of the matter and not stress the question of overflights.

(c) Canada would be arming its forces with the most modern equipment if it were available. Since it was not, and since the defence of the continent was integrated, it was only to be expected that the U.S. should undertake this task. Eventually, if the U.S. law were changed, the U.S. might offer to sell similar weapons to Canada and R.C.A.F. aircraft would be equipped with them. Indeed, Canadians would probably be surprised if the request were refused.

(d) The question was whether an announcement should be made concerning this development, or whether the government should wait until questions were asked about it. The public was aware of the fact that there was an agreement on overflights now and had probably assumed that the aircraft concerned were carrying atomic weapons anyway. On the other hand, the U.S. Air Defence Commander had made a statement about a year ago concerning this possibility which had aroused a good deal of interest, and it might be advisable to issue an official statement when the new development occurred. Perhaps the best thing to do would be to have a statement prepared and ready to be issued if necessary.

(e) Interceptions by aircraft armed with these rockets would only be initiated on yellow or red warnings. Yellow warnings could occur almost any time. In fact, one had almost been declared in Alaska a few days previously.

(f) An announcement should include explanations concerning storage of weapons, the conditions under which interceptions might take place, precautions, and so forth. The more difficult question to explain would be why Canada had to rely on the U.S. to defend us with this type of weapon when they were not prepared to let us have any of them.

(g) If the conventional forces in Europe were reduced in strength, the Europeans would insist on having the most modern atomic weapons at their disposal. When this occurred, the very difficult problem of who would decide when these would be used would be raised.

3. *The Committee* noted the report of the Minister of National Defence on the request of the United States to make interceptions over Canada with aircraft carrying air-to-air atomic weapons, and agreed to recommend that:

(a) pending permanent arrangements, the United States Air Force be authorized, for a six-month period, to fly such aircraft armed with these missiles over Canadian territory, under the conditions proposed by the Minister of National Defence;

(b) procedures be prepared for the exchange of information on interceptions and for the decontamination of areas should one of these weapons be accidentally dropped; and

(c) a press announcement on the matter be drafted, but issued only if this was subsequently thought to be desirable.[33]

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41. DEA/50309-40

Huitième rapport du groupe d'études militaires du Canada et des États-Unis

Eighth Report of the Canada-U.S. Military Study Group

SECRET [Ottawa], December 19, 1956

1. As directed by the Canadian Chiefs of Staff Committee and the U.S. Joint Chiefs of Staff, an Ad Hoc Group within the framework of the Canada-U.S. Military Study Group undertook a study of the problem of integration of operational control of the continental air defences of Canada and the United States in peacetime. A copy of the Ad Hoc Group's Report is enclosed.

2. The Canada-U.S. Military Study Group has examined this report in detail and supports the conclusions contained therein. The Canada-U.S. Military Study Group, therefore, recommends that:

(a) The conclusions contained in the Ad Hoc Group's Report be approved as the basic principles on which the integrated operational control of the air defences of Canada, the Continental United States and Alaska be undertaken; and

(b) The Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff take action to secure the approval of both governments for the integration of the operational control of the Canadian and United States air defences in accordance with the concepts contained in the Ad Hoc Group's Report.

3. No implementing recommendations are being made at this time. If the above recommendations receive approval, further detailed planning will be required. This is particularly true with regard to the terms of reference of the Commander-in-Chief, Air Defence Canada and the United States (CINCADCANUS), and the internal organization, including geographical boundaries. It is the opinion of the MSG that further action in this regard should await approval, at least in principle, of the above recommendations.

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[33] Aucun communiqué n'a été publié./No press release was issued.

[PIÈCE JOINTE/ENCLOSURE]

SECRET

INTEGRATION OF OPERATIONAL CONTROL OF THE CONTINENTAL AIR DEFENCES OF CANADA AND THE UNITED STATES IN PEACETIME(S)

The Problem

1. To study and make recommendations concerning the integration of operational control of the continental air defence of Canada and the United States in peacetime.

Facts Bearing on the Problem

2. The Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff have agreed that it is desirable to study methods of integrating in peacetime the operational control of continental elements of the air defence forces of both countries. They have agreed that this study be undertaken by an ad hoc group of United States and Canadian officers of the three Services under the Canada-United States Military Study Group.

3. In the Canada-United States Emergency Defence Plan (MCC 300/8), which supports the Canada-United States Basic Security Plan, approved by the United States Joint Chiefs of Staff and the Canadian Chiefs of Staff Committee, the following planning directive is set out: "Air defence plans should be based upon the concept that the air defence of Canada and the United States is a single problem and that plans for the use of air defence resources of Canada and the United States must be developed on a combined basis so as to provide the most effective defence possible for agreed vital targets."

4. The Canadian Chiefs of Staff have suggested that the ad hoc group should limit its discussions and recommendations to the problems of operational control.

5. The United States Joint Chiefs of Staff have concluded that the peacetime continental air defence arrangement should provide for:

(a) The operational integration of the continental elements of the air defence systems of both countries including continental portions of the warning systems;

(b) The centralization of authority for operational control of the continental-based forces of both countries assigned and such augmentation forces which may otherwise be allocated to continental air defence; and

(c) Ready adaptability to meet conditions imposed in the event of a general war or at such times as may be mutually agreeable.

(d) The operational control of the air defence forces in Alaska by an Air Defence Force as a part of an integrated air defence system for the United States and Canada.

(e) Developing and exercising such a system for the integration of operational control of the continental air defences of Canada and the United States over a period of years in order to be effective when needed and not require major adjustment in a transition from a peacetime to a general war status.

6. The United States Joint Chiefs of Staff also consider the possibility that a commander of one nationality may exercise operational control over subordinate combat forces of the other nation should not be a governing factor in developing combined recommendations on the optimum arrangement for integrating the operational control of the Canadian and United States air defences.

7. The United States Continental Air Defense Command is a joint command established by the United States Joint Chiefs of Staff, composed of the USAF Air Defense Command,

the Army Antiaircraft Command, and Naval Forces CONAD. Operational control of forces assigned or otherwise made available is exercised through joint subordinate commanders.

8. At present, the USAF Air Defense Command is composed of 63 fighter interceptor squadrons stationed at 43 bases in the United States. These forces are organized into air defence divisions assigned to Eastern, Central, and Western Air Defence Forces. Other USAF combat forces include six fighter interceptor squadrons stationed at two main and several subsidiary bases in Alaska and three fighter interceptor squadrons in the Northeast area. These are all under the operational control of the Commander-in-Chief, Continental Air Defence Command (CINCONAD), with headquarters at Colorado Springs, Colorado, except those fighter squadrons based in Canada, which come under the operational control of the Air Officer Commanding, RCAF Air Defence Command, by international agreement.

9. The United States Army Antiaircraft Command, also under the operational control of the CINCONAD has 87 antiaircraft battalions (49 NIKE 1, 28 gun and 10 Skysweeper). These forces are organized into five regional commands and deployed for the defence of thirty critical localities in the United States and Greenland. There are in addition three gun and two skysweeper battalions defending installations in Alaska.

10. The combat elements of the United States Naval Forces CONAD consist principally of air augmentation forces which are made temporarily available to CINCONAD in an emergency. Their number, composition, and location will vary from time to time depending on Naval operations.

11. The RCAF Air Defence Command has nine operational squadrons of fighter aircraft stationed at five bases in Canada, all of which are subordinate to the Air Defence Command, Royal Canadian Air Force, with headquarters at St. Hubert, Quebec, Canada.

12. The Distant Early Warning Line, backed up by the Mid-Canada Line will constitute the basic early warning system. The surveillance and control system made up of contiguous radar sites, gap filler radars, and the radar of the extension to seaward of the contiguous radar system (Texas Towers, picket ships, blimps, AEW&C Aircraft) provides the means by which the air picture is continually assessed and the air defence battle is directed. This system is currently operating as a manual system with principal dependence on the human element for the processing and passage of information. The United States has programmed a Semi-Automatic Ground Environment (SAGE) system to substitute electronic means for the present manual procedure in passing information and directing air defence forces. For similar purposes and for use in conjunction with SAGE, the U.S. Army has programmed an electronic information passing and fire direction means (Missile Master) for the operation of its surface-to-air missile units.

13. United States Air Force plans provide for the modernization of units as new equipment becomes available and for an increase in air defence units as follows:

(a) Fighter Interceptor Squadrons—71 (FY 1960)

(b) BOMARC Squadrons—40 (FY 1961-1965)

(c) TALOS Squadrons—8 (FY 1961-1965)

14. The Royal Canadian Air Force plans to expand its forces to twelve fighter squadrons by fiscal year 1960 with a possible further expansion of three squadrons or, alternatively, to add two BOMARC units later. The RCAF also plans to convert to CF 105 type aircraft commencing fiscal year 1960.

15. The United States Army plans to expand its antiaircraft forces in Alaska, Northeast Area, and the Continental United States to 142 active Army battalions (90 NIKE, 2 Gun, 35 Hawk, and 15 Skysweeper) by the end of fiscal year 1960.

16. At present, emergency operations in air defence of Canada and the United States would be conducted on the basis of the "Canada-United States Emergency Air Defence Plan (CANUEADP 2-56)" which was prepared jointly by Headquarters, Continental Air Defence Command, Air Defence Command (RCAF), the U.S. Alaskan Command, and U.S. Northeast Command in support of the Canada-United States Emergency Defence Plan. This plan includes the "Agreed Cross Border Intercept and Engagement Procedures", and the "RCAF Air Staff Instructions for Intercept and Engagements."

Discussions

17. With the advent of high yield nuclear weapons and the rapid improvement in the means of effecting their delivery, the problems of air defence become more complex. Not only must a high percentage of enemy delivery vehicles be destroyed because of the lethality of the nuclear bombs, but also the increased speed of enemy delivery systems has reduced the time available for interception within a defined distance. To counter this threat, air defence weapons must be able to commence their attacks as early as possible and to keep the enemy force under constant attack to achieve maximum destruction of the attacking force before it penetrates the vital areas. This requirement to have defence in depth necessitates having a contiguous radar control and warning system as far in advance of the target areas as is practicable and weapons deployed at locations and so controlled as to ensure that the maximum rate of interception can be applied against an enemy attack regardless of avenue of approach. As the number of weapons which can be brought to bear on an attacking force within a given space and time period is restricted by the control capability of the air defence system and the characteristics of the varied weapons systems, weapons must be assigned at the optimum rate beginning at the edge of radar cover. To achieve this optimum rate in many areas, some weapons based in the United States must be employed over Canadian air space and vice versa. This becomes increasingly more important with the introduction of longer range weapons and automatic control systems which, to be fully effective, cannot be restricted by international boundaries.

18. At present, various agreements between Canada and the United States do provide for cross border intercepts and rules of engagement, and procedures do exist which would permit forces from one country to reinforce forces of the other country. However, the high speed of the enemy threat, the longer range of weapons, and the automaticity of air defence control systems demand split second decisions to keep pace with the speed and tempo of future air battles. This demand for split second decisions cannot be accomplished under the present arrangements of coordinated command which require consultation between national commanders before implementation. The present arrangements do not, therefore, provide for the authoritative control of all weapons which can profitably be employed against a hostile target. Effective use of all available weapons can only be accomplished by someone who has sufficient information of the over-all air defence situation to make these split second decisions required to use forces to the best advantage. Therefore, there is a need for the individual commanders who must actually fight the air battle to have all necessary tactical information and authority to employ effectively all weapons which can be brought to bear upon a target. Further, at higher echelons, commanders must have the necessary information and authority to effect immediate reinforcements between commanders at lower levels, regardless of nationality, and to control the air battle over wide areas.

19. The flexibility of employment of forces and the split second decisions necessitated by the tempo of the air battle can only be achieved by decentralization of control under a single authority responsible for the operational control of all forces available for the air defence of North America. This principle of collective security through the medium of a single chain of operational control is well established in the North Atlantic Treaty Organization where SACEUR, SACLANT, etc., have operational control over all assigned forces. It is equally important that this same principle should apply to the direction of the air defence of North America.

20. While it has been agreed in MCC 300/8 that the air defence of both countries must be considered a single problem, there is neither the authority nor the means for dealing with it as a single problem. Although the Canada-United States Emergency Air Defence Plan (CANUSEADP 2-56) is a combined plan which does, in some measure, prescribe the operational procedures to be used jointly in an emergency, it was not intended to integrate the operational control of the continental air defence forces, but seeks primarily to coordinate separate Canadian and United States plans. Also in an attempt to achieve closer coordination in planning, an RCAF liaison planning group is attached to CONAD HQ, and although this group has proved invaluable for producing combined air defence studies, the plans based on these studies are national plans which are seldom coordinated at any time after the original conception. Thus, the present means for considering the air defence of both countries as a single problem are inadequate for the following reasons:

(a) Despite the close cooperation between the two governments an authoritative document which outlines a desirable pattern for the defence of North America has not been, nor is likely in the future to be, produced or approved under the existing procedures.

(b) The Canada-United States Emergency Air Defence Plan (CANUSEADP 2-56) only ensures that operational procedures will be compatible in an emergency.

(c) While combined studies are prepared, detailed planning is conducted on a unilateral basis by both countries; thus, while the separate national air defence plans may be coordinated in their initial development, they are thereafter processed separately and at times changed without reference to the other country, even though one nation's plans are dependent on plans of the other nation. This at best results in poorly coordinated plans which are neither the most effective nor the most economical and which can result in the uncoordinated and hence wasteful provision of means.

21. If one agency were charged with the responsibility to produce plans for the employment of forces assigned, attached or otherwise made available, and to produce studies on the desirable air defence posture for Canada and the United States for the review and approval of both governments the following advantages would accrue:

(a) It would ensure that air defence of both countries would be considered as a single problem;

(b) It would ensure that plans were coordinated at all levels; and

(c) It would expedite approval of such plans and thereby facilitate consideration by government departments of the military operating requirements of one nation in the territory of another.

22. Because of the possibility of a sudden attack with little or no strategic warning, the air defence forces must be prepared to fight from the very beginning of hostilities with the weapons, facilities and command structure in being and deployed at the outset of war. There will not be time to organize, train, equip, or deploy additional forces to augment those on hand in time to meet the initial attack. Common procedures and practices must be

effective from the outset. It is therefore necessary to have in existence in peacetime the organization which will be required in war.

23. It is, therefore, concluded that the best method of dealing with the air defence of Canada and the United States is to apply the NATO principle of unified command to North America by delegating to a single commander the authority to exercise operational control over all continental elements of the air defence forces made available for the air defence of both countries. An appropriate title for such a commander would be "Commander-in-Chief, Air Defence, Canada-United States" (CINCADCANUS). The advantages of having a single authority responsible for conducting the air defence of both countries are summarized as follows:

(a) A single chain of operational control would exist for the authoritative and timely employment of weapons and to effect immediate reinforcement between commanders, regardless of nationality.

(b) One authority would be responsible for ensuring that common operating procedures and directives were in use and that the deployment and use of the continental elements of the air defence forces was in accordance with a single plan for the defence of North America.

(c) The organization required for war would be in existence and exercised during peacetime.

24. Several basic considerations are involved in the integration of operational control of the air defence systems of the two countries. They concern:

(a) The mission of the command.

(b) The terms of reference of the Commander-in-Chief, Air Defence, Canada-United States (CINCADCANUS).

(c) The intergovernmental structure whereby decisions may be reached.

(d) The basic organization.

Throughout this paper guiding principles for establishment of CINCADCANUS have been considered and it will be necessary to prepare detailed plans for this organization based on these principles.

25. The mission of the commander should reflect the degree of the commander's responsibility. CINCADCANUS should therefore be given the mission of defending Canada, the Continental United States and Alaska against air attack.

26. Regardless of his nationality, CINCADCANUS should be made responsible to both the Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff. His terms of reference should include the following:

(a) CINCADCANUS should exercise operational control over assigned and augmentation forces made available for the air defence of Canada, the Continental United States and Alaska. (CINCONAD is now charged by the U.S. Joint Chiefs of Staff with certain air defence activities in Greenland. If this responsibility is to be placed upon CINCADCANUS, he should be responsible solely to the U.S. authorities therefor.) Commanders making augmentation forces available may place restrictions on their deployment.

(b) CINCADCANUS should produce plans for the employment of forces assigned, attached or otherwise made available, and should produce studies on the desirable continental air defence posture, and submit them for approval to the Canadian Chiefs of Staff Committee and the U.S. Joint Chiefs of Staff as appropriate.

(c) CINCADCANUS should specify the states of combat readiness. He should establish procedures and issue directives, within existing national policies, for the operation of the air defence forces assigned, attached or otherwise made available. He should cause the command to engage in training and practice exercises in order to ensure the readiness of forces and facilities and the appropriateness of the measures in effect.

(d) CINCADCANUS should ensure that provision is made for prompt initiation of wartime operations in an emergency.

(e) CINCADCANUS should be responsible for advising the responsible military authorities of both countries of the likelihood of air attack.

27. "Operational control", as used in this paper, is defined as the power of directing, coordinating and controlling the operational activities of deployed units which may, or may not, be under the command of the authority exercising operational control. Permanent changes of station, especially across national boundaries, would be contained in CINCADCANUS deployment plans and would require approval of higher authority in peacetime. Temporary reinforcements from one area to another, including crossing the international boundary to meet operational requirements, would be within the authority of commanders having operational control.

28. In consonance with the above mission and terms of reference, CINCADCANUS must be responsible to the military authorities of the governments of both nations. He must therefore have some means whereby he can secure approval of his plans, procedures, and directives; these should be formulated and approved in peacetime so that they may be rapidly implemented in an emergency.

(a) The Commander-in-Chief should formulate plans and procedures and submit them through the appropriate executive agencies concurrently to both the Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff for approval.

(b) In peacetime, governmental approval of certain plans and procedures will fall at least in part outside the purview of the military authorities of the nations concerned. Such plans and procedures should be referred by both the Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff to the appropriate agencies of their respective governments and be made the subject of inter-governmental coordination.

29. The organization of the air defence system must be considered in two regards: The first is the basic command organization and the second is the organization for operational control.

30. The basic command organization for the air defence forces of the two countries must take into consideration the differences inherent in two national military organizations and of the diverse logistic, training, and personnel requirements of air and ground forces of both nations. Command of forces of one nationality, which include the logistic, training, and personnel functions, should be exercised by national commanders responsible to their national authorities for these aspects of their command.

31. The Commander of each Service providing forces should be the principal advisor to CINCADCANUS in matters of his Service which pertain to ADCANUS. The relationship between such commanders within the air defence system should be, in general, similar to that presently existing within the U.S. Continental Air Defence Command. This procedure is based on principles established during World War II for joint and combined commands, and is that now used in NATO. It provides for the forces of each Service to be assigned to and commanded by a commander of the same Service although they are under the operational control of joint commanders.

32. The organization for operational control will differ from that of command. Since the organization for operational control is designed for the conduct of tactical operations, it must be organized to meet the threat and to employ the forces available in the most effec-

tive manner. The authority for operational control should be vested in the CINCADCANUS and may be exercised through subordinate geographical joint commands. The geographical organization of the command should take into consideration the following:

(a) The location of the principal targets.

(b) The avenues of approach of enemy attack.

(c) The existing and planned future facilities, organizational structure, and command boundaries.

(d) The existing and planned weapons systems and their capabilities.

(e) The existing and planned surveillance and control systems.

(f) The span of control.

(g) Defence in depth.

(h) The movement of reserve forces.

33. When considering the requirements for geographical boundaries, the international boundary should be used whenever operationally and technically feasible.

34. CINCADCANUS and his deputy should not normally be from the same nation. His staff should be a joint staff composed of officers of both nations.

35. The commander of any particular area should be selected according to the following principles:

(a) In those geographical areas lying wholly in one country and containing only forces of that country, the commander and staff should be from that country; and

(b) In those geographical areas including territory of both countries and/or forces of both countries, the commander and his deputy should normally not be from the same country. His staff should be a joint staff composed of officers of both nations.

All air defence forces located in one area should be under the operational control of the area commander.

Conclusions

36. In order to provide the most effective air defence of North America, the operational control (see paragraph 27 above) of the air defence forces of Canada and the United States should be integrated.

37. The air defence organization, forces, facilities, and procedures to be used in wartime should be established and exercised in peacetime.

38. In order to accomplish the above, operational control over all continental elements of the air defence forces made available for the air defence of Canada, the Continental United States and Alaska should be delegated to a single commander.

39. The Commander-in-Chief (CINCADCANUS) should be responsible to the Chiefs of Staff of both countries. His mission should be the air defence of Canada, the Continental United States and Alaska. His terms of reference should include the matters stated in paragraph 26 above.

40. Command of forces of one nationality, which includes such matters as logistic support, administration, discipline, internal organization and unit training, should be exercised by national commanders responsible to their national authorities for these aspects of their commands.

41. Each commander providing forces should be the principal advisor to the CINCADCANUS on matters of his Service which pertain to ADCANUS.

42. The relationship between commanders within the air defence system should be, in general, similar to those presently existing within the U.S. Continental Air Defence Command.

43. The organization for operational control should be based on geographical subdivisions of the area to be defended and operational control should be exercised through commanders of geographical areas.

44. The geographical organization of the integrated command should be based on:

(a) The location of the principal targets.

(b) The avenues of approach of enemy attack.

(c) The existing and planned future facilities, organizational structure, and command boundaries.

(d) The existing and planned weapons systems and their capabilities.

(e) The existing and planned surveillance and control systems.

(f) The span of control.

(g) Defence in depth.

(h) The movement of reserve forces.

45. When considering the requirements for geographical boundaries, the international boundary should be used whenever operationally and technically feasible.

46. CINCADCANUS and his deputy should not normally be from the same nation. His staff should be a joint Staff composed of officers of both nations.

47. The commander of any particular area should be selected according to the following principles:

(a) In those geographical areas lying wholly in one country and containing only forces of that country, the commander and staff should be from that country; and

(b) In those geographical areas including territory of both countries and/or forces of both countries, the commander and his deputy should not normally be from the same country. His staff should be a joint staff composed of officers of both countries.

All air defence forces located in one area should be under the operational control of the area commander.

48. Plans prepared by the CINCADCANUS should be reviewed and approved by both the Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff.

49. Plans and procedures outside the purview of the military Services should be referred by the Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff to the appropriate agencies of their respective governments and when appropriate be made the subject of inter-governmental coordination.

50. The plans and procedures to be used in wartime should be formulated and approved in peacetime and should be capable of rapid implementation in an emergency.

Recommendations

51. It is recommended that:

(a) The conclusions above be approved as the basic principles on which the integrated operational control of the air defence of Canada, the Continental United States and Alaska be undertaken; and

(b) The Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff take action to secure the approval of both governments for the integration of the operational control of Canada and the United States air defences in accordance with the foregoing concepts.

42. DEA/50210-F-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DL-1 Ottawa, January 2, 1957

TOP SECRET. ROUTINE.
Reference: Your tel 2368 of Dec 22† and previous correspondence

CONTINENTAL DEFENCE

National Defence believes, and we agree, that it is not too early to sound out the USA authorities on their future intentions in this field i.e. after expiration of the six month period which will be covered by the initial exchange of notes. We are naturally anxious to be as completely informed as possible on this whole subject; of more immediate interest perhaps is the fact that USA ideas as to what more permanent arrangements might be desirable will have a bearing on the drafting of any statement which we might make here early this year. We would not wish our statement to be such as to cause embarrassment if say in six months the USA were to put up a good case for additional facilities.

2. The USA briefers who came to Ottawa in November informed us that in the initial stages there would only be two airfields on which squadrons would be armed with atomic weapons. They did not indicate which further squadrons would next be armed as more of these weapons became available, though they told us that other squadrons would be so armed. We do not wish to put ideas in the minds of USA authorities which are not there already, however we believe you should explore with the State Department such specific questions as the following:

(a) If the Air Defence Squadrons at Goose Bay and in Newfoundland are to be armed with these weapons eventually would not the question of storage on Canadian territory arise?

(b) If a USA aircraft armed with one of these weapons is forced to land at a Canadian airfield because of unserviceability of the aircraft how would the USA authorities expect to handle the problem of temporary storage of the weapons?

(c) What ideas have the USA authorities in mind concerning the amendments which will be necessary to the rules of interception and engagement to allow the use of atomic weapons in Canadian air space under conditions of red and yellow warning?

3. The draft USA note (your telegram 2314 of December 17) seems satisfactory in substance. Some drafting suggestions are included below. You might, as well, seek clarification on one point. Numbered paragraph 4 in the USA draft note would seem to differentiate between the procedures currently in effect in reporting (on a service to service basis) crashes of aircraft from either country in the territory of the other, and those which would be employed during the term of the proposed agreement in the event of a crash of a USA aircraft carrying atomic rockets. It is proposed in the latter case that "the Canadian government will be immediately informed". Is this the USA understanding of this para and is it

intended, for example, to use the channel now established for clearance of overflights when atomic weapons are involved. i.e. the State-External channel?

4. Our drafting suggestions follow:

(a) Paragraph 1 of the preamble to be revised to read: "I have the honour to refer to conversations between representatives of our two governments regarding the proposed incorporation of nuclear weapons in the air defence of Canada, the continental USA and Alaska. Such a move would greatly enhance the joint defence capabilities which our two countries have been developing over a period of years".

(b) Numbered paragraph 1—the date January 1, 1957 will have to be changed to accord with the date on which our notes are exchanged.

(c) Same paragraph—insert a period after "July 1, 1957" and substitute for the remainder of the present first sentence a new sentence reading: "More permanent arrangements will have to be worked out to cover the period after July 1957".

(d) Same paragraph—make a new paragraph beginning with: "USAF planes so armed will enter Canadian air space, etc." and revise the second sentence to read: "In such an event the USA planes will confine their activities in the main to Canadian territory etc".

(e) Present numbered paragraph 6—omit first sentence.

5. The points raised in paragraphs 3 and 4 of your telegram 2319 of December 18 have been considered. We do not believe however that this particular exchange of notes would be the appropriate vehicles for clarification of the point at issue. We are concerned that there should be adequate consultation in the period leading up to the calling of an alert and we shall continue to seek our objective in this regard; the next step will be to send to you for transmission to the State Department our comments on Murphy's letter (your despatch 1748 of December 5[34]) The exchange of notes under consideration however is concerned with what will happen after an alert has been called, i.e. when it has been definitely established that a hostile aircraft has entered the air defence system. Procedures do exist for the issuance of air defence warning yellow or red. They may eventually require modification but we see this problem as distinct from that with which we are concerned in this proposed exchange of notes.

6. On the question of publicity we would find it difficult to draft with any precision a possible Canadian statement without having a look at what it is proposed should be released in Washington. We have a number of ideas in mind but which of these should be given priority in a statement would depend in some measure on what is said on the subject by the USA authorities. For this reason we would welcome receipt of the USA draft statement as soon as possible.

7. It should be borne in mind that there may be no press statement as such in Ottawa but that release of information on the subject may come by way of answers to questions which may be asked in the House. While we can attempt to foresee the kind of questions which might be asked we cannot rule out the possibility of having to answer questions which we had not contemplated. Questions may be asked for example about storage of the weapons in Canada and while we can appreciate the USA reasons for wishing to avoid public reference to the problem we may have to say something. We believe however it would be possible to omit reference to the storage question in any formal statement which we might prepare for release to the press.

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[34] Voir/See Document 84.

8. You might let Nugent know as well that we would not believe it essential to underline the fact that there had been an exchange of notes on the subject and that we would avoid any direct reference to the exchange unless forced by questions in the House to do so. We had not given thought to drafting any background guidance paper. We would be interested in anything of this nature which the State Department might think it necessary to have in hand.

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43. DEA/50210-F-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 43 Washington, January 8, 1957

TOP SECRET. IMPORTANT.
Reference: Your tel DL1 Jan 2.

CONTINENTAL DEFENCE

This morning we met with Pentagon and State Department officials concerned with this question. Among those present were General Coiner and General Loper from the Pentagon, Parsons (Director, Office of British Commonwealth and Northern European Affairs), Nugent (Officer in charge Canadian Affairs), Farley (Office of Atomic Energy Matters), and Unger (Office of European Regional Affairs) of the State Department; Air Commodore Cameron was also present.

2. We first endeavoured to explore what ideas the USA authorities had as to the more permanent arrangements, posing in turn the three questions contained in your paragraph 2. In reply to the first question it was made clear that other than the base in Northern Michigan, no additional squadrons which would affect Canada, would be equipped with the MB1 before July 1/57. By that time production will be sufficient to accelerate the introduction of the MB1 to other squadrons some of which would no doubt be in the northern part of the USA. We gather that priority for reequipment is not firm beyond the first four or five bases. The USAF have no plans to equip Goose Bay or Newfoundland bases with the MB1 for the next two years and thus the question of storage on Canadian territory would not arise before it would presumably be resolved in connection with giving the RCAF an MB1 capability. (Our own estimate) with regard to your question (b), it was conceded that in the event of an aircraft equipped with the MB1 having to make a forced landing in Canada, a problem of temporary custody would arise, but it would only be "very temporary". Under USAF procedures, a pilot having to make such a forced landing must remain with his aircraft, and as he would constantly be tracked by radar when in flight it would normally be possible to send quickly another aircraft to remove the weapon and return it to the USA base. The problem is thus not so much one of temporary storage as of custody until removed, and no storage facilities as such would be required. With regard to your question (c) concerning the rules of interception and engagement, we assume that you had not, before sending your telegram under reference, received from us the USA rules as amended in the light of introduction of the MB1. General Loper explained that it was their understanding that USA aircraft operating in Canadian air space do so under Canadian rules and Canadian aircraft operating in USA air space do so under American rules. The

USAF assume that we would revise our rules as they have theirs. In addition to the rules of interception and engagement it was made known that there are CONAD standard operating procedures (SOP's) which spell out the circumstance when an MB1 armed aircraft will be ordered into the air. These SOP's presumably restrict the scrambling of an MB1 aircraft until identification either by RCAF or USAF aircraft equipped with conventional armament of an unknown as hostile is practically certain. We have been promised a copy of the relevant instructions.

3. We left with the Americans a copy of your drafting suggestions. Except for suggestion (c), these were all acceptable to them. With regard to suggestion (c), it was thought preferable to delete from the first sentence of numbered paragraph 1 the words "for six months from January 1/57" so that the first two sentences of this paragraph would read as follows: "The initial period during which the Canadian Government will authorize the carriage of MB1 weapons over Canada will extend to July 1/57. More permanent arrangements will have to be worked out to cover the period after July 57. USA air force planes so equipped ..."

4. We then took up the clarification you requested in numbered paragraph 4. It was explained to us that this paragraph had been worded in the way it stands in the draft to take care of a request made by General Foulkes during the last session in Ottawa that the Canadian Government should be notified immediately of any crash in Canadian territory of an aircraft carrying MB1 rockets. Although service authorities of both countries considered interservice arrangements entirely adequate, the USAF was anxious that because of the potential hazard involved, General Foulkes' request should be met. Already procedures have been worked out and are in effect whereby the air defence command will notify St. Hubert and St. Hubert will inform the Canadian Government through AFHQ, Ottawa. In parallel fashion and as promptly as possible, the Pentagon will notify the State Department which will inform the Canadian Embassy in Washington. Parsons thought that the USA Embassy in Ottawa would also have to be informed. In response to our question, we were assured that this procedure presented no difficulties. Farley pointed out that agreement to this procedure would not affect existing arrangements for handling SAC overflights which will stand.

5. We next took up the question of publicity making the points of your paragraphs 7 and 8. You will by now have received the draft press release (our telegram 3 January 2†). We were given to understand that this statement will be discussed at a meeting tomorrow of the operations coordination board and, if approved, would then go to the President. Once again it was confirmed to us that no statement would be released until the exchange of notes has been effected. Additionally, the Pentagon are preparing a question and answer paper, mainly to enable unit commanders to deal with any questions addressed to them from public sources. We will be given a copy of this paper when it is final. In the main it will restate the points contained in the press release, but enlarge on some where there might be misunderstanding. There is one question in the present draft of this paper concerning "deployment" of the MB1 outside the USA. The suggested answer is in vague terms and to the effect that the question is under study. We raised the question of your concern with regard to safety features, and the problem of storage. The questions and answers cover the problem of safety features, we were told, but there is no reference to the problem of storage (see paragraph 2 above). The USA representatives again made it clear that they only put in the last paragraph of their draft release on the assumption that we might wish such a statement to be included, and they will of course delete it if we so wish, or reserve it for dealing with questions which may be put to USA authorities.

6. Just before the meeting broke up, General Loper raised the question of future procedure once the exchange of notes has been effected, for continuing or more permanent arrangements after the six month period. It was for consideration whether this should be done in the forum of the PJBD, or whether some other arrangement should be made. Neither the State Department officials nor the two Pentagon representatives expressed any strong views one way or another. Nor did they have any firm ideas as to whether the more permanent arrangements to be made would be formalized by exchange of notes, PJBD recommendation, or by some other method. The State Department would be glad to have an expression of your views on this general point of future procedure.[35]

7. The State Department will send us as soon as possible a clear copy of the draft exchange of notes and any amendments which might be made to the draft press release and an up to date text of the questions and answers paper, all of which we will pass on to you. We would naturally appreciate your comments on these as soon as possible.

[A.D.P.] HEENEY

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44. DEA/50045-A-40

Extrait du procès-verbal de la réunion du Comité des chefs d'état-major

Extract from Minutes of Meeting of Chiefs of Staff Committee

TOP SECRET [Ottawa], February 1, 1957

Present

Chairman, Chiefs of Staff (General Foulkes)
Chief of the Air Staff (Air Marshal Slemon)
Chief of the General Staff (Lieutenant-General Graham)
Chief of the Naval Staff (Vice Admiral DeWolf)
Dr. Field (Representing Chairman, Defence Research Board)

Also Present

F.R. Miller, Esq., Deputy Minister National Defence.
R.B. Bryce, Esq., Secretary to the Cabinet.
R.M. Macdonnell, Esq., Deputy Under-Secretary of State for External Affairs.
Brigadier Rothschild, Coordinator Joint Staff.
Secretary, Chiefs of Staff, (Captain Lucas).

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IV. INTEGRATION OF OPERATIONAL CONTROL OF THE CONTINENTAL AIR DEFENCES OF CANADA AND THE UNITED STATES IN PEACETIME (SECRET)

18. *The Committee* had for consideration the Eighth Report of the Canada-U.S. Military Study Group dated 19 Dec 56, together with the report of the Ad Hoc Group which was

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[35] Le ministère des Affaires extérieures a répondu à cette question (dans un télégramme portant principalement sur la formulation d'un communiqué) dans les termes suivants : «You might indicate to the State Department that we believe that future and more permanent arrangements with respect to this subject should be made through the diplomatic channel and ... set out in a further exchange of notes.» Ottawa à Washington, le télégramme DL-124, 1 février 1957, MAE 50210-F-40.

The Department of External Affairs responded to this point (in a telegram dealing primarily with the wording of a press release) in the following terms: "You might indicate to the State Department that we believe that future and more permanent arrangements with respect to this subject should be made through the diplomatic channel and ... set out in a further exchange of notes." Ottawa to Washington, Telegram DL-124, 1 February 1957, DEA 50210-F-40.

appointed to study the integration of operational control of the continental air defences of Canada and the United States in peacetime.

(CSC:1855.1 TD:3 dated 10 Jan 57)

19. *General Foulkes* introduced this item and informed the Committee that these proposals were being considered by the Chiefs of Staff of both Canada and the United States and would have to be approved by the governments of both countries. He suggested that this matter not be placed before the Canadian Cabinet until the U.S. Joint Chiefs of Staff had approved the proposals.

20. *The Chairman* informed the Committee that the Minister of National Defence intended to mention this matter at the next meeting of the Cabinet Defence Committee but that no specific submission would be made at that time.[36]

21. *The Chairman* considered that these proposals will bring the control and planning functions of the air defence of North America into line with similar functions exercised in other NATO commands. The proposals will have the advantage of placing Canada in a position to take a more active part in air defence planning and to have a greater control over planning at the staff level. He suggested that one of the major problems of concern to the Canadian Chiefs of Staff had been in the field of requirements planning and that these proposals would go a long way towards making it possible to exercise greater control by the Chiefs of Staff in this field. He stated that a short paper was being prepared by the Joint Staff to include the Conclusions and Recommendations of the Ad Hoc Committee's report for submission to CDC at a later date.

22. *The Chief of the General Staff* commented on the amount of detail which had been included in the report concerning the method by which operational control would be carried out. He suggested that perhaps the Ad Hoc Committee had exceeded its terms of reference in this regard.

23. *The Chief of the Air Staff* replied that the details of integrated control would be of considerable concern to Ministers and that they should be spelt out in order that there would be no misapprehension as to the actual meaning of the proposals. These proposals would enable a degree of restraint in joint air defence planning to be applied at the staff level before such plans are presented to Chiefs of Staff and the Canadian Government.

24. *Vice Admiral DeWolf* considered that it would be impossible to avoid extra pressure on the Chiefs of Staff to implement expensive air defence plans, but that such extra pressure must be accepted. In a command set-up of this type some requirements planning would be unavoidable.

25. *The Chairman, Chiefs of Staff* considered that now was a suitable time to commence a long-range study to determine how much more should be invested in the air defence system. He was concerned with the growing magnitude of expense and the fact that some of the additional refinements may have diminishing returns.

26. *The Committee agreed*:

(a) to approve, in principle, the report of the Ad Hoc Committee for the integration of operational control of the continental air defences of Canada and the United States in peacetime;

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[36] Campney a abordé cette question très brièvement durant une discussion sur la demande des États-Unis concernant l'établissement au Canada d'installations pour les avions-ravitailleurs du commandement aérien stratégique. Voir le document 107.

Campney mentioned this issue very briefly during a discussion of the American request for Strategic Air Command tanker facilities in Canada. See Document 107.

(b) to direct the Joint Staff to prepare a brief paper for Cabinet Defence Committee which would include the Conclusions and Recommendations of the Ad Hoc Committee's Report and which would be circulated to the Chiefs of Staff for their approval when completed.

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45. PCO

Extrait du procès-verbal de la réunion du Comité du Cabinet sur la défense

Extract from Minutes of Meeting of Cabinet Defence Committee

TOP SECRET [Ottawa], February 6 and 7, 1957

Present:

The Prime Minister, (Mr. St-Laurent), in the Chair,
The Minister of Defence Production (Mr. Howe),
The Minister of National Defence (Mr. Campney),
The Minister of National Health and Welfare (Mr. Martin),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Finance (Mr. Harris).
The Minister of Northern Affairs and National Resources, (Mr. Lesage) - for the meeting on February 6th
The Parliamentary Assistant to the Minister of National Defence (Mr. Paul T. Hellyer).
The Secretary (Mr. Martin),
The Military Secretary (Captain Lucas).
The Chairman, Chiefs of Staff (General Foulkes),
The Chief of the Air Staff (Air Marshal Slemon),
The Chief of the General Staff (Lieutenant General Graham),
The Chief of the Naval Staff (Vice Admiral DeWolf),
The Chairman, Defence Research Board (Mr. Zimmerman).
The Secretary to the Cabinet (Mr. Bryce),
The Deputy Minister of National Defence (Mr. Miller),
The Deputy Minister of Defence Production (Mr. Golden),
The Deputy Under-Secretary of State for External Affairs (Mr. Macdonnell),
The Assistant Deputy Minister of Finance (Mr. Plumptre),
The Assistant Secretary of the Treasury Board (Mr. MacNeill).
The President of the National Research Council (Dr. Steacie)—for the meeting on February 7th.

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III. BRIEFING ON AIR DEFENCE PROBLEMS BY THE CHIEF OF THE AIR STAFF

7. *The Chief of the Air Staff* reviewed the threat posed by the U.S.S.R. to North America and emphasized the conclusion that the only safe way to assess Russia's potential was to assume that it could keep pace with the air offensive capabilities of the U.S. The R.C.A.F. was convinced that Russian aircraft were capable of attacking North American targets and could reach an altitude over them as high as 57,000 feet. Knowledge of Russian capabilities in the field of supersonic manned bombers and unmanned air-breathing missiles was uncertain but their capabilities had to be assessed in terms of U.S. capabilities. A new U.S. manned bomber known as the "HUSTLER" flew last summer at supersonic speeds. Near the target it could fly as fast as Mach 2 at a height of 60,000 feet. It seemed that the CF105 presently being developed would be able to cope with this threat and we should try to

develop it successfully. An important feature of the "HUSTLER" was that it could carry an air-to-surface missile which could be released 150-200 miles from the target.

In the field of missiles, a project in the U.S. known as "NAVAHO" was proceeding. This weapon might have a range of over 5,000 miles, travelling at Mach 2.5 and carrying an atomic warhead in megaton range. Conceivably a similar weapon could be operational by the U.S.S.R. from about 1962 onwards. It was known that in Russia there had been regular firings of missiles with a range of up to 700 miles.

The developments in the aircraft and missile fields gave the offensive a significant advantage and set an extremely difficult defence task. However, the air defence potential was also being steadily improved and could be expected to provide a real hurdle against all possible threats except the intercontinental ballistic missile. Nevertheless, even against the ICBM, it appeared feasible that a warning system, which would give twenty minutes warning to American targets, could be provided. This was especially significant for the Strategic Air Command. Missiles armed with atomic warheads were showing considerable promise of increasing the effectiveness of the defence, including missiles launched from aircraft and from the ground. It would appear, therefore, that these would be logical and necessary weapons for Canada to adopt in the future.

8. *Air Marshal Slemon* said that, up to 1965, North America could be attacked by manned bombers flying at subsonic and supersonic speeds, carrying nuclear weapons; unmanned air-breathing intercontinental guided missiles, armed with nuclear warheads; guided missiles with ranges from 150 miles upwards armed with nuclear warheads, launched from submarines, surface ships and aircraft; and intercontinental ballistic missiles armed with nuclear warheads. In conjunction with these threats, electronic and mechanical countermeasures, including decoys, would likely be employed by the enemy. He believed that some of the long-range missiles, including the ICBM, would have sufficient accuracy to be effective against large area targets. However, an enemy would have to deliver an attack with great accuracy on a large number of smaller targets before he could effectively cripple the U.S.A.F. retaliatory force which, so long as it remained relatively intact, constituted the greatest deterrent to war. It was significant, therefore, that for several years after the introduction of the ICBM, the manned bomber would likely continue to be the most effective method of delivering an attack with the degree of accuracy required and would therefore remain a serious threat.

9. *Air Marshal Slemon* then referred to the proposals to increase the regular defence squadrons to 15 in number, deployed on 15 bases across Canada. He recalled that authority had been provided to implement the first phase of this expansion programme to a total of 12 squadrons on 12 bases. The whole plan had been predicated on an expansion northward of the existing ground environment, including an additional 26 prime radars and 123 gap fillers and related communications.

Because of financial and manpower limitations, it now seemed unlikely that the U.S. would proceed with plans for extending radar coverage in Canada. It was also doubtful, at this stage at any rate, that the U.S. would provide substantial assistance towards additional ground environment in this country. This had influenced the R.C.A.F. to hold off implementation of the base and squadron expansion programme which had been agreed. In other words, the R.C.A.F. had recommended, and the Minister had agreed, that they would not go ahead with the programme to expand 12 air defence squadrons deployed on 12 bases. This deferment took into account the fact that BOMARC missiles were nearing the operational stage and it was visualized that some of these weapons would be introduced into Eastern Canada within the next few years.

The U.S. had planned a line of BOMARC bases along their northern border from coast to coast and would like to have two such bases in the general vicinity of North Bay and Ottawa. This would contribute substantially to the defence of Canadian cities southward, whereas if located south of the border missiles would be engaging targets over the top of the Canadian industrial heartland. It was possible that the U.S. would be prepared to contribute to these installations, either by providing the missiles or by other cost sharing. Informal discussions would be held with the U.S. authorities to ascertain what they might be prepared to do should it be decided to include two BOMARC bases in the North Bay-Ottawa areas.

10. *Air Marshal Slemon* referred to the need for the introduction of automatic equipment for the control of the air defence system and reviewed briefly the progress the U.S.A.F. was making with the "SAGE" system. Joint Canada-U.S. studies indicated the necessity of automaticity in the area in Canada lying south of a line roughly from Lake Superior to Quebec City. The R.C.A.F. and the Defence Research Board were now studying a modification to SAGE known as CAGE, or combined semi-automatic ground environment. This would not use as many central computers or such expensive communications as SAGE and it therefore would be considerably cheaper. Provided the development was a successful one, proposals for its installation in the area described would be made later on.

11. *The Committee* noted the briefing of the Chief of the Air Staff on a number of air defence problems.

IV. IMPROVEMENT TO PRIME RADARS

12. *The Minister of National Defence* said that in the Pinetree system there were 37 prime radars in Canada, of which Canada financed 12 and the U.S. 25. Each station consisted of search and height finder radars capable of operating effectively up to an altitude of approximately 40,000 feet. Improvements were now necessary because hostile aircraft as well as our interceptors had improved their altitude performance beyond the capability of these radars. A joint Canada-U.S. plan had been devised to carry out these improvements in two stages. The first was to complete improvements in the system to give high coverage up to 75,000 feet by the autumn of 1960. This involved modifications to 10 of the 12 stations operated in Canada. The second stage would consist of the addition of one 100,000-foot radar at one of the remaining sites. The radar for this second stage had not yet been selected and authority to implement the second stage would be sought subsequently. The search and height finders for stage one were the best proven radars available and would fit into any foreseen plans to introduce automaticity into the system.

The U.S. had budgeted for the improvement of radars which they financed in Canada and it would be advantageous if both the U.S. and Canadian programmes could be implemented at the same time so that Canadian industry would be in a favourable position to compete for the production orders for the U.S.-financed radars, as well as those required by the R.C.A.F.

13. *The Minister* recommended, on the advice of the Chiefs of Staff, that 10 of the 12 stations in the Pinetree system which Canada financed be improved to provide 75,000 foot coverage at a cost of $20.8 million; $1 million to be spent in the fiscal year 1957-58; $9 million in 1958-59; $9.75 million in 1959-60; and $1.05 million in 1960-61.

An explanatory memorandum had been circulated.

(Minister's memorandum, January 18th, 1957 — Document D2-57†).

14. *During the discussion* the following points emerged:

(a) There was no alternative but to proceed because the system would be ineffective unless it were so modified. Furthermore, the improvements had to take place at the same time as the Americans were modifying the radars for which they were responsible, otherwise there would be gaps in the line. The plan involved no additions in personnel, although there would be insignificant changes in manpower establishments.

(b) Europeans were coming to understand that the North American warning lines were one of the most significant factors in the deterrent to war. However, this increasing awareness provided European countries with a rationale to reduce their local defences. Warning systems in Europe were being steadily pushed ahead and it was possible to envisage radar coverage extending from Turkey to the north of the British Isles across North America and to Midway in the Pacific, providing warning to the Western world of a possible attack by the Soviet Union.

(c) It was argued that, with the intercontinental ballistic missile in sight, there was little point in improving radar coverage which could give no warning of an attack from that kind of threat. On the other hand, it would be many years before the ICBM would become the main offensive weapon exclusive of all others. U.S. and Canadian defence authorities were of the opinion that even after the advent of the ICBM, the threat would consist of a combination of missiles and manned aircraft. If there were no warning against attacks by manned bombers, the enemy would concentrate on that and defence against such a threat would be materially reduced.

15. *The Committee* noted the report of the Minister of National Defence on the necessity to improve radars in the Pinetree system and agreed to recommend that improvements be made in 10 of the 12 stations financed by Canada to provide, by 1960, high coverage up to 75,000 feet, at a total cost estimated to be $20.8 million, to be spread over the four fiscal years ending March 31st, 1961.

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46. DEA/50045-40

Note de la 1ère Direction de liaison avec la Défense pour le sous-secrétaire d'État suppléant aux Affaires extérieures

Memorandum from Defence Liaison (1) Division to Deputy Under-Secretary of State for External Affairs

SECRET [Ottawa], February 13, 1957

AGENDA ITEM 6 — 605TH MEETING CHIEFS OF STAFF COMMITTEE

INTEGRATION OF OPERATIONAL CONTROL OF CANADIAN AND CONTINENTAL UNITED STATES AIR DEFENCE FORCES IN PEACE-TIME

The proposed submission to Cabinet Defence Committee on this subject is so condensed that it fails in some measure to give a complete picture of the problem. This is perhaps inevitable since the original paper done by the ad hoc group, although lengthy, was tightly argued. Since condensation is required, the document which goes to Cabinet Defence Committee should be carefully edited to keep possible misunderstanding to a minimum. Certain suggestions for revisions in the proposed memorandum are set out below with the object of making the submission more understandable.

(a) The submission should have appended to it the complete report of the ad hoc group so that Ministers, if they wish, could read the complete case for joint operational control. As the submission stands all the arguments of the ad hoc committee are summed up in the first phrase "in recognition of the need for close integration of Canadian-United States air defences ...".

(b) Would it not be better to state clearly that the Commander-in-Chief, Air Defence, Canada-United (CINCADCANUS) will be an American, and that the Deputy Commander-in-Chief will be a Canadian?

(c) Paragraphs 2 and 3 — A possibility of confusion exists in these two paragraphs. There is a real difference in the meaning of the military terminology "operational control" on the one hand and "under command" on the other. The argumentation in these two paragraphs is so condensed as to blur this distinction.

(d) Paragraph 4(e) — It would be wise to make clear the distinction between the "plans" which CINCADCANUS will be authorized to produce for the employment of forces assigned to him for operational purposes and the "studies on the desirable continental air defence posture" (paragraph 3 — Appendix "A") which he will also be authorized to undertake.[37] It is our understanding that these terms were carefully chosen to delineate the powers of the proposed Commander. The latter means long-range objectives which may be desirable in the eyes of the Commander, but which cannot be thought of as military plans until approved by Governments.

(e) Paragraph 7 — The purpose of the submission is to gain approval for the appointment of a single operational commander. There already exists an effective coordinated system for the air defence of Canada. Some further clarity might be introduced in this paragraph. The paragraph might also include a sentence indicating that the exact terms of reference of the single commander when drafted would be submitted to Cabinet Defence Committee for its approval at a later date. We understand that this in fact is what the Chairman, Chiefs of Staff intends to do. It might be wise, however, to say so in the memorandum. Our advance into this new state of affairs should be by controlled stages.

(f) Paragraph 6 of Annex "A" might be clarified. The use of the phrase "likelihood of air attack" is open to question. The responsibility for such advice clearly lies with the senior military advisers, i.e. the Chiefs of Staff. The RCAF understand this paragraph to mean only that CINCADCANUS would be responsible for advising the senior commanders on the basis of tactical information which might come to him as a result of his concern with the warning lines, e.g. ferret operations which might be conducted by the Soviet Air Forces. The paragraph as it stands is open to some misinterpretation, in that it may seem to assign greater responsibility to this subordinate commander than is, in fact, intended.

2. The text of the submission has been lifted in the main from the ad hoc group's report. It is a submission which deals entirely with the military operational requirement. Nowhere in it does it even reflect the political problems inherent in the control of Canadian forces in peace-time by an outsider. It can be argued that this aspect of the question will be dealt with by Ministers when they consider the submission. On the other hand officials cannot be blind to the political aspects of this question, and the original submission to Cabinet Defence Committee should reflect some political awareness. Even a single sentence along the following lines might be enough: the United States authorities should be reminded that Canadian willingness to agree to joint operational control of the continental air defence

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[37] Note marginale :/Marginal note:
? [R.M. Macdonnell]

forces should be met by a corresponding United States recognition of the need for adequate consultation with Canadian authorities on matters which might lead to the alerting of the air defence system.

3. This Department has constantly stressed the necessity for close United States consultation with the Canadian Government prior to the taking of decisions which might involve us and the rest of the world in hostilities. Canadian consent to enter into an agreement with the United States to set up a single operational commander should certainly provide us with an opportunity once again to impress upon the United States Government Canada's special place among the many countries allied to the United States. It is difficult to conceive of the United States taking any overt action to protect itself which would not immediately affect Canada. It is possible to conceive of action taken by the United States which would not, for example, involve her allies in the Rio Pact or the SEATO Pact. Geography and our willingness to cooperate effectively in joint continental defence efforts give us a special right to demand closer consultation. We should not lose any opportunity to re-assert this right and especially an opportunity such as this when the Canadian Government is called on to take a decision without precedent in Canadian history, namely the granting in peace-time of control to a foreign representative over our security forces.[38] If there is merit in these arguments, it would seem wise that their substance be reflected in this submission to Cabinet Defence Committee. It would be particularly apt to say something along these lines at this moment since we are in the process of negotiations with the United States authorities on alerts procedures.

J.J. MCCARDLE

[PIÈCE JOINTE 1/ENCLOSURE 1]

Projet d'une note du ministre de la Défense nationale pour le Comité du Cabinet sur la défense

Draft Memorandum from Minister of National Defence to Cabinet Defence Committee

SECRET [Ottawa], February, 1957

INTEGRATION OF OPERATIONAL CONTROL OF CANADIAN AND CONTINENTAL UNITED STATES AIR DEFENCE FORCES IN PEACETIME

In recognition of the need for close integration of Canadian and United States air defence, a study on the control of North American air defence forces has been undertaken by the Military Study Group at the direction of the Canadian Chiefs of Staff Committee and the U.S. Joint Chiefs of Staff. (The conclusions and recommendations of the Military Study Group are attached as Appendix B.†) This study has concluded that the operational control of Canadian and United States air defence forces should be delegated to a single commander who would be responsible to the Chiefs of Staff of both countries. Commander-in-Chief, Air Defence, Canada-United States has been suggested as a title for this commander.

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[38] Note marginale :/Marginal note:
NATO? [R.M. Macdonnell]

2. The term "Operational Control" is defined as the power of directing, coordinating and controlling the operational activities of deployed units which may, or may not, be under the command of the authority exercising operational control.[39]

3. This principle of a single commander[40] in collective security arrangements is well established in the North Atlantic Treaty Organisation where, for example, the Supreme Allied Commander Europe and the Supreme Allied Commander Atlantic have operational control over all assigned forces.

4. The establishment of an integrated operational control system for the air defence of Canada, the Continental United States and Alaska under a single commander, would be based on the following principles:

(a) national commanders would be responsible to their national authorities for logistics, administration, discipline, internal organization and unit training for their commands and would be the principal advisers to the Commander-in-Chief Air Defence Command in air defence matters of their services;

(b) operational control areas should be on a geographical basis (using international boundaries whenever feasible) and should be commanded by officers selected as follows:

- (i) in areas lying wholly in one country and containing only forces of that country, the area commander and staff should be from that country and,
- (ii) in areas which include territory of both countries and/or forces of both countries the area commander and his deputy should not normally be from the same country and the staff should be composed of officers from both countries.

(c) The Commander-in-Chief Air Defence Command and his deputy should not normally be from the same nation and should have a staff of officers from both nations;

(d) plans and procedures to be used in wartime should be formulated and approved in peacetime and should be capable of rapid implementation in an emergency;

(e) plans prepared by the Commander-in-Chief Air Defence Command should be reviewed and approved by the Chiefs of Staff of both countries and, where these plans are outside the purview of the military services, they should be forwarded through the Chiefs of Staff to respective governmental agencies for coordination and approval.[41]

5. The United States Joint Chiefs of Staff have approved these proposals.

6. The terms of reference for the Commander-in-Chief Air Defence Command would include the points set out in Appendix "A".

7. The Chiefs of Staff recommend, and I concur, that approval, in principle, be given for the establishment of an integrated operational control system[42] for the air defence of

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[39] Note marginale :/Marginal note:
expand distinctions [J.J. McCardle]

[40] Note marginale :/Marginal note:
probability of confusion [J.J. McCardle]

[41] Note marginale :/Marginal note:
distinction (in annex) between "plans" & "studies" [J.J. McCardle]

[42] Note marginale :/Marginal note:
? [J.J. McCardle]

Canada, the Continental United States and Alaska under a single commander, based on the principles set out above.[43]

[R.O. CAMPNEY]

[PIÈCE JOINTE 2/ENCLOSURE 2]

Appendice A

Appendix A

SECRET

INTEGRATION OF OPERATIONAL CONTROL OF CANADIAN AND CONTINENTAL UNITED STATES AIR DEFENCE FORCES IN PEACETIME

Points to be Included in the Proposed Terms of Reference Commander-in-Chief, Air Defence, Canada-United States

1. The Commander-in-Chief shall be responsible to both the Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff for the air defence of Canada, the Continental United States and Alaska.

2. The Commander-in-Chief shall exercise operational control over assigned and augmentation forces made available for the air defence of Canada, the Continental United States and Alaska. Commanders making augmentation forces available may place restrictions on their deployment.

3. The Commander-in-Chief shall produce plans for the employment of forces assigned, attached, or otherwise made available, and shall produce studies on the desirable continental air defence posture, and submit them for approval to the Canadian Chiefs of Staff Committee and the U.S. Joint Chiefs of Staff as appropriate.

4. The Commander-in-Chief shall specify the states of combat readiness. He shall establish procedures and issue directives, within existing national policies, for the operation of air defence forces assigned, attached, or otherwise made available. He shall cause the command to engage in training and practice exercises in order to ensure the readiness of forces and facilities and the appropriateness of the measures in effect.

5. The Commander-in-Chief shall assure that provision is made for prompt initiation of wartime operations in an emergency.

6. The Commander-in-Chief shall be responsible for advising the responsible military authorities of both countries of the likelihood of air attack.[44]

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[43] Note marginale :/Marginal note:

(1) What is being asked for it seems to me is approval in principle for a single operational commander. We already have (or are said to have) an effective coordinated system. Some further clarity might be introduced.

(2) It seems to me that Cabinet Defence Committee should be given another opportunity to pass on the exact terms of reference of the single commander. I believe this is in fact the intention of the C.C.O.S. It might be wise to say so in this memo. If we are to become serfs then progress to that state should perhaps be by controlled stages! [J.J. McCardle]

[44] Note marginale :/Marginal note:

needs clarification [J.J. McCardle]

47. DEA/50045-A-40

Extrait du procès-verbal de la réunion du Comité des chefs d'état-major

Extract from Minutes of Meeting of Chiefs of Staff Committee

TOP SECRET [Ottawa], February 15, 1957

Present
Chairman, Chiefs of Staff (General Foulkes)
Chief of the Air Staff (Air Marshal Slemon)
Chief of the General Staff (Lieutenant-General Graham)
Chief of the Naval Staff (Vice Admiral DeWolf)

Also Present
F.R. Miller, Esq., Deputy Minister National Defence.
R.B. Bryce, Esq., Secretary to the Cabinet.
R.M. Macdonnell, Esq., Deputy Under-Secretary of State for External Affairs.
Brigadier Rothschild, Coordinator Joint Staff.
Group Captain Gooderham, Commander Porter, Lieutenant-Colonel Finch (Joint Telecommunications Committee for Item II).
Secretary, Chiefs of Staff, (Captain Lucas).

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VI. INTEGRATION OF OPERATIONAL CONTROL OF CANADIAN AND CONTINENTAL UNITED STATES AIR DEFENCE FORCES IN PEACETIME (SECRET)

19. *The Committee* had for consideration a draft brief for Cabinet Defence Committee, together with a proposed amendment† by the Chief of the Air Staff.

(CSC:1855.1 TD:3 of 8 Feb 57)

20. *The Chairman, Chiefs of Staff* briefly reviewed the background of this paper and stated that now that the U.S. Joint Chiefs of Staff had approved the proposals in principle, he would like to place them before CDC at an early date.

21. *The Committee* considered an amendment to the paper proposed by the Chief of the Air Staff which had been circulated to the members.

22. *General Foulkes* considered that this amendment laid too much stress on the need for integration to fight the air battle and insufficient stress on the importance for integrated planning in peacetime.

23. *Air Marshal Slemon* explained the reasons for his proposed amendment and emphasized the vital importance of setting up an organization by which very rapid decisions could be taken by Air Defence Commanders in war. This was of particular importance in contiguous sectors of control along the Canada-U.S. border. He pointed out that in order to function effectively in war it was essential to exercise control operations in peacetime.

24. *The Chief of the Air Staff* then suggested a further additional paragraph which laid particular emphasis on the necessity for joint coordinated planning.

25. *Mr. Macdonnell* stated that the Department of External Affairs was in general agreement with the principles outlined in the paper, but suggested that an additional paragraph should be inserted to read as follows: "The United States authorities should be reminded that Canadian willingness to agree to joint operational control of the continental air defence forces should be met by a corresponding United States recognition of the need for adequate consultation with the Canadian authorities on matters which might lead to the alerting of the air defence system".

26. After further discussion *the Committee agreed*:

(a) to include the amendment proposed by Mr. Macdonnell as a new paragraph 6;

(b) to delete the last sentence of paragraph 1;

(c) to attach the report of the Ad Hoc Committee in its entirety as Appendix "C";

(d) to approve the paper as amended for submission to Cabinet Defence Committee.

F.W.T. LUCAS

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48. DEA/50210-F-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 400 Washington, February 20, 1957

SECRET. IMPORTANT.
Reference: Our 385 Feb 19.†
For information NATO Paris.

CONTINENTAL DEFENCE

Mr. Dulles signed the USA note last night and the formal exchange took place this morning.

2. The text of the USA note which is dated February 19 reads as follows:

"Excellency:

I have the honor to refer to conversations between representatives of our two governments regarding the proposed incorporation of nuclear weapons in the air defence of Canada, the Continental USA and Alaska. Such a move would greatly enhance the joint-defense capabilities which our two countries have been developing over a period of years.

As has already been indicated to the Canadian Chiefs of Staff Committee, the initial nuclear capability visualized for air defence is in the form of an air-to-air rocket (MB-1). This weapon was issued around January 1, to the USA Air Force in small numbers for use in air defence activities. In order that this new weapon may be given maximum scope in defence activities which affect both Canada and the USA, this government wishes to propose that the MB-1 be carried by USA military aircraft over Canada under the following terms and conditions:

(1) The initial period during which the Canadian government will authorize the carriage of MB-1 weapons over Canada will extend to July 1, 1957. More permanent arrangements will have to be worked out to cover the period after July 1957.

(2) USA Air Force planes so armed will enter Canadian air space only in the event an air defense warning yellow or red is declared. In such an event, the USA planes will confine their activities in the main to Canadian territory bordering on the Great Lakes and extending northward to about 50 degrees north latitude. USA planes armed with MB-1 weapons, under air defense warning yellow or red, will be authorized by the Canadian government to land at, or take off from, Canadian bases in the territory over which they have authority to operate.

(3) In the circumstances visualized above, rules of interception and engagement over Canadian territory shall continue to be those established from time to time by the Canadian government for interceptor aircraft of the Royal Canadian Air Force operating over Canada. Attached for your info is a copy of the USA interception and engagement instructions and procedures, which have been reviewed for their applicability to the employment of atomic weapons and which became applicable on January 1, 1957.†

(4) The USA government has taken the utmost precaution in designing the weapon, and will exercise equal precaution in establishing operational procedures, to insure a minimum possibility of public hazard when employment of the MB-1 is necessary. Representatives of the Royal Canadian Air Force have been thoroughly informed by the USA Air Force concerning safety features.

(5) In accordance with current agreed procedures, crashes of aircraft from either country in the territory of the other are reported on a service-to-service basis. During the term of this agreement, the USA will take measures to insure that the Canadian government is immediately notified or any crash in Canadian territory of a USA aircraft carrying MB-1 rockets.

(6) Detailed arrangements will be made between the USA Air Force and the Royal Canadian Air Force to provide designated RCAF personnel with training necessary for the salvage of MG-1 weapons following an accident. In the event salvage is necessary, the USA air force is willing to send at any time, upon request, trained personnel to assist in the operation.

(7) Any info released jointly or separately by the two governments concerning this subject will be processed in accordance with the current understanding of March 19, 1951, which governs the release of publicity relating to joint Canadian-USA defense plans and operations.

If these conditions are acceptable to your government, I suggest that this note and your reply shall constitute an agreement effective from the date of your reply.

Accept, Excellency, the renewed assurances of my highest consideration. John Foster Dulles"

3. Our reply which bears the No. 91 and is also dated February 19 reads as follows:

"Sir,

I have the honour to refer to your note of February 19, 1957, proposing that under certain terms and conditions the MB-1 air-to-air rocket may be carried by USA military aircraft over Canadian territory.

The terms and conditions set out in your note under reference are acceptable to my government which concurs as well with your suggestion that your note and this reply shall constitute an agreement effective the date of this note, and to extend to July 1, 1957.

Accept, Sir, the renewed assurances of my highest consideration. A.D.P. Heeney"

4. Both notes are classified secret.

49. DND/Vol. 21422, CSC 1855-8

Note du ministre de la Défense nationale pour le Comité du Cabinet sur la défense

Memorandum from Minister of National Defence to Cabinet Defence Committee

SECRET [Ottawa], March 11, 1957

INTEGRATION OF OPERATIONAL CONTROL OF CANADIAN AND CONTINENTAL UNITED STATES AIR DEFENCE FORCES IN PEACETIME

1. In recognition of the need for close integration of Canadian and United States air defence, a study on the control of North American air defence forces has been undertaken by the Military Study Group at the direction of the Canadian Chiefs of Staff Committee and the United States Joint Chiefs of Staff. (The conclusions and recommendations of the Military Study Group are attached as Appendix "B",† and the report of the ad hoc committee is attached as Appendix "C").[45] This study has concluded that the operational control of Canadian and United States air defence forces should be completely integrated and under a United States Commander, with a Canadian Deputy, who would be responsible to the Chiefs of Staff of both countries.

2. This principle of operational control in collective security arrangements is well established in the North Atlantic Treaty Organization where, for example, the Supreme Allied Commander Europe and the Supreme Allied Commander Atlantic have operational control over all assigned national forces.

3. The establishment of an integrated operational control system for the air defence of Canada, the Continental United States and Alaska would be based on the following:

(a) The Commander's responsibilities will be as follows:

(i) *In Peacetime*. The development of plans and procedures to be used in war. These plans and procedures to be agreed to in peacetime and be ready for immediate use in an emergency. They will be reviewed, amended or approved by the Chiefs of Staff of both countries and Government approval will be sought before any plans are implemented. He will be responsible for the general pattern of training and the general supervision of practice exercises in order to ensure the readiness of the forces and facilities in time of emergency.

(ii) *In War*. In time of war he will be responsible for the direction of air operations of the Air Defence Command in accordance with the plans which have been agreed to in peacetime.

(b) The Canadian and United States commanders will continue to be responsible, in both peace and war, for logistics, administration, discipline, internal organization and unit training of their respective national commands.

4. It is considered that there are several advantages to Canada in accepting this form of integration:

(a) This procedure leaves with the Canadian Commander complete command and administration over Canadian troops and equipment.

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[45] Voir/See Document 41.

(b) Affords the Canadian authorities early and continuing opportunities to influence and participate in the formulation of joint air defence policy.

(c) Provides early opportunity for joint examination of intelligence and circumstances which may lead the United States authorities to call an alert.

(d) Will provide a further channel for closer cooperation with the United States Air Force in the field of development and production of common techniques and equipment, and thus avoid unnecessary duplication.

(e) Will remove recurring United States criticism that Canada is not cooperating to the fullest extent in the Joint Air Defence of North America.

(f) Will provide an adequate basis for reaching a high standard of readiness and the least possible delay in passing from a peacetime to wartime footing.

(g) Will bring the Air Defence Command in North America in line with the other Commands in NATO.

5. The United States Joint Chiefs of Staff have approved these proposals.

6. The United States authorities will be reminded that Canadian participation in joint operational control of the continental air defence forces should be met by a corresponding United States recognition of the need for adequate consultation with Canadian authorities on matters which might lead to the alerting of the air defence system.

7. The terms of reference for the Commander, Air Defence Command, would include the points set out in Appendix "A".[46]

8. The Chiefs of Staff recommend, and I concur, that approval in principle be given for the establishment of an integrated operational control system for the air defence of Canada, the Continental United States and Alaska under a single commander, based on the provisions set out above.[47]

[R.O. CAMPNEY]

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[46] Réimprimé sous forme d'annexe au document 46./Reprinted as appendix to Document 46.

[47] Ce document a été approuvé par Campney et envoyé à Bryce en vue d'être examiné à la réunion du Comité du Cabinet sur la Défense du 15 mars 1957. Cette réunion a par la suite été annulée et reportée jusqu'après l'élection fédérale du 10 juin.

This document was approved by Campney and forwarded to Bryce for discussion at the Cabinet Defence Committee meeting of March 15, 1957. This meeting was subsequently cancelled and held over until after the federal election of June 10.

50. DEA/50046-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], June 12, 1957

114TH MEETING OF THE CABINET DEFENCE COMMITTEE TO BE HELD ON JUNE 13, 1957[48]

ITEM I — INTEGRATION OF OPERATIONAL CONTROL OF CANADIAN AND CONTINENTAL UNITED STATES AIR DEFENCE FORCES IN PEACETIME

The attached brief[49] on this subject, prepared by the Department of National Defence, is concerned with a decision of great national importance for which there is no precedent in recent Canadian history, namely, a decision to grant in peacetime, to a foreign representative, operational control of an element of Canadian security forces *in Canada*. There is a precedent in the NATO structure for the operational control of Canadian units by non-Canadian commanders, but this, of course, does not apply to forces within the national boundaries. While this Department has had an opportunity on several occasions to comment on the recommendations of the Military Study Group which are enclosed with the attached memorandum, it was not consulted on the drafting of the memorandum to the Cabinet Defence Committee.

2. "Operational control", in the context of this paper, is defined as "the power of directing, coordinating and controlling the operational activities of deployment units which may or may not be under the command of the authority exercising operational control". (A more detailed definition is contained in paragraph 27 of the Military Study Group's report.) In effect, national commanders would continue to be responsible for logistics, administration, discipline, internal organization and unit training of their respective national commands. The proposed commander of the joint forces (who would be an American) would, in wartime, direct the operation of units from Canada and the United States. In peacetime he would recommend plans and procedures for the operation of the joint forces in wartime and he would be responsible for the general supervision of practice exercises, in order to ensure the readiness of the forces and facilities in time of emergency.

3. The main interest of this Department in this subject centers on paragraph 6 of the attached submission. We have constantly stressed the necessity for close United States consultation with the Canadian Government prior to the taking of decisions which might involve us in hostilities. It is difficult to conceive that the United States could take any overt action to protect itself which would not immediately affect Canada. (It is possible to conceive of action taken by the United States which would not, for example, involve her allies in the Rio Pact.) Geography and our willingness to cooperate effectively in joint continental defence efforts, give us a special right to demand that United States consultation with Canada be adequate at all times. Canadian consent to enter into an agreement with the United States to set up a single operational commander of air defence forces

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[48] Cette réunion a été annulée./This meeting was cancelled.

[49] Aucune pièce jointe n'a été trouvée dans les dossiers du MAE. Vraisemblablement, ceci renvoie au document précédent.
No attachment was located in DEA files. Presumably, this refers to the preceding document.

should certainly provide us with an opportunity, which should not be lost, to reassert the need for close consultation and to impress upon the United States Government Canada's special place among the countries allied to the United States. It should be borne in mind that we are, at the moment, in the process of negotiations with the United States authorities on alerts procedures.

4. Two other comments concerning the drafting of the attached submission occur to officials in this Department. With respect to paragraph 4(e) of the submission, we are not aware that there has been "recurring United States criticism" of any Canadian shortcomings in the development of the joint air defences of North America. Conversely, there have been a variety of statements by the most senior members of the United States Government praising, both qualitatively and quantitatively, the Canadian contribution to the continental air defence system.

5. Finally, we believe that paragraph 8 of the submission might include a sentence indicating that the exact terms of reference of the proposed single command, when drafted, would be submitted to the Cabinet Defence Committee for its approval. Any move into this new stage of continental cooperation in defence matters should be by carefully controlled stages.

J. L[ÉGER]

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51. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], June 13, 1957

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The President of the Privy Council (Mr. Chevrier),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard),
The Associate Minister of National Defence (Mr. Hellyer).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Pelletier), (Mr. Martin).

. . .

CANADA-U.S. AIR COMMANDS; PROPOSED INTEGRATION

20. *The Prime Minister* said that the proposed integration of the Canadian and U.S. air defence commands was a most important issue on which a decision should not be taken by the present administration.

21. *The Cabinet* agreed that the proposed integration of the operational control Canadian and U.S. air defence commands, which had been under discussion for some time between the military authorities of both countries, was a major issue which should be left for decision by an incoming administration.

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SECTION B

ENQUÊTES DU CONGRÈS SUR LA SÉCURITÉ
CONGRESSIONAL SECURITY INVESTIGATIONS

52. DFAIT/29-7-2-USA-NORMAN

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Égypte

Secretary of State for External Affairs
to Ambassador in Egypt

TELEGRAM DS-67 Ottawa, March 15, 1957

CONFIDENTIAL. IMMEDIATE.

Repeat for information Washington (Personal for Ambassador), CONGEN NY (Personal for Consul General).

Personal for the Ambassador Begins: The Internal Security Subcommittee of the Judicial Committee of the USA Senate released yesterday to the press extracts of the record of the executive session at which John K. Emmerson was cross examined.[50] The allegations and insinuations made during the course of the session are of the same nature as those which have been previously made by this Subcommittee in USA and I shall not burden you with the detailed text.

2. As the result of the allegations Mr. Pearson in answer to a question in the House by Mr. Diefenbaker this morning made a statement based on the text given in my immediately following telegram.†[51] Such alterations as he made in this text were of a minor nature and do not affect the substance.

3. As you will see from this statement the Canadian Government intends to lodge a protest with the USA Government and I shall send you a report on this matter as soon as the protest has been lodged.

4. I regret personally that these allegations have again been made publicly and I know how unpleasant they are for you personally. I thought you would like to have as soon as

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[50] Voir/See United States, Senate, *Hearings before the Subcommittee to Investigate the Administration of the Internal Security Act and other Internal Security Laws of the Committee of the Judiciary, 85th Congress, First Session on Scope of Soviet Activity in the United States, Part 56, March 12 and 21 1957*, Washington: United States Government Printing Office, 1957, pp. 3645-3666.

[51] Voir Canada, Chambre des Communes, *Débats*, 1957, volume II, pp. 2447 à 2448.
See Canada, House of Commons, *Debates*, 1957, Volume II, pp. 2349-2350.

possible a text of the Minister's remarks in the House and to know of the warm tribute he has paid to you and in which I join. Léger. Ends.

53. DEA/27-3-12

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DS-69 Ottawa, March 18, 1957

CONFIDENTIAL. MOST IMMEDIATE.
Reference: Your tel 614 Mar 18.†
Repeat for information CONGENNY (Most Immediate), Cairo (Important).

ALLEGATIONS AGAINST MR NORMAN

Please deliver the following note to the State Department: Begins. I am instructed by my Government to bring to the attention of the USA Government the allegations of disloyalty which have been made in the USA against Mr. E.H. Norman, the Canadian Ambassador to Egypt, a high and trusted representative of the Canadian Government. The irresponsible allegations to which I refer, and which in any event would concern matters to be dealt with by the Canadian Government and not by a Subcommittee of the USA Senate, were contained in the textual record of the Internal Security Subcommittee, of the Senate Committee on the Judiciary, which was officially released by that body to the press in Washington at 4.30 p.m. on March 14.

I am instructed to protest in the strongest terms the action taken by an official body of the legislative branch of the USA Government in making and publishing allegations about a Canadian official. This procedure is both surprising and disturbing because it was done without the USA Government consulting or even informing the Canadian Government and without taking account of relevant public statements made earlier by the Canadian Government.

The Canadian Government examined similar allegations as long ago as 1951, and as the result of an exhaustive security enquiry the full confidence of the Canadian Government in Mr. Norman's loyalty and integrity has been confirmed in all respects. The conclusions of the Canadian Government were made public at that time and must have been known to the Subcommittee particularly as the State Department was requested at the time and again on December 11, 1952 to draw them to their attention. I am attaching the texts of two statements made by the Canadian Government on this matter in 1951.[52]

The repetition of such irresponsible allegations in the Subcommittee and the publication on the authority of this official body of a record containing such allegations is the kind of action which is inconsistent with the long standing and friendly cooperation characterizing relations between our two countries. Text of note ends.

2. I understand that you will deliver the above text to the State Department at 5 p.m. this afternoon. The Minister wishes to make this text public in the House tomorrow around

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[52] Pour le texte de la note canadienne de 1951 et le communiqué, voir volume 17, documents 769 et 773.
For the text of the Canadian note in 1951 and the press release, see Volume 17, Documents 769 and 773.

3 p.m. He will include the State Department reply if this is forthcoming in time.[53] You may release the text in Washington in response to enquiries.

3. My telegram DS70† contains the texts of the two previous press releases referred to in the note of protest.

L.B. PEARSON

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54. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 624 Washington, March 18, 1957

CONFIDENTIAL. IMMEDIATE.
Reference: Your Telegram No. DS 69 of March 18.

ALLEGATIONS AGAINST MR. NORMAN

I presented the Note at 5 p.m. this afternoon to Burke Elbrick, Assistant Secretary of State for European Affairs. In doing so, I explained that I would wish my representations regarded as though they had been made to the Secretary of State himself.

2. The text which I gave to Elbrick was that contained in your telegram with the following changes which had been agreed to by Crean:

(a) In the next to last paragraph the words "and of the exchange which took place in the House of Commons of Canada on this subject on March 14, 1957"[54] were deleted, and in the earlier part of that sentence the word "the" was omitted before "two" and the words "on this matter" were inserted before "in 1951".

(b) The press release of August 24, 1951, was replaced by the statement made by you in your press conference on August 16, 1951, beginning with the words "immediately on receipt" and ending with "fair and effective".[55]

3. I emphasized orally to Elbrick how seriously this matter was regarded by the Canadian Government. I also indicated that it was your intention to make our Note public in the House of Commons tomorrow at 3 p.m.

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[53] Pour le texte de la note canadienne du 18 mars 1957, voir Canada, Chambre des Communes, *Débats*, 1957, volume III, p. 3517.
For the text of the Canadian note of March 18, 1957, see Canada, House of Commons, *Debates*, 1957, Volume III, p. 3357.

[54] Ce texte devrait renvoyer à l'échange du 15 mars. Voir Canada, Chambre des Communes, *Débats*, 1957, volume II, pp. 2447 à 2448.
This should refer to the exchange of March 15. See Canada, House of Commons, *Debates*, 1957, Volume II, pp. 2349-2350.

[55] Pour le texte du communiqué, voir Canada, ministère des Affaires extérieures, *Communiqués*, 1951, Nº 39. Pour une description de la conférence de presse du 16 août, voir le *Globe and Mail* du 17 août 1951.
For the text of the Press Release, see Canada, Department of External Affairs, *Press Releases*, 1951, No. 39. For a description of the press conference on August 16, see *Globe and Mail*, August 17, 1951.

4. Elbrick fully appreciated our concern and the depth of our feeling. He knew we realized how difficult it was to affect the behaviour of committees of the Legislative Branch. At the same time, he thought it had to be recognized in the U.S. that the conduct of foreign relations was the responsibility of the Executive. He was confident that the Administration would be anxious one way or another to impress on the Committee the dangers in the course which they were apparently following. He was not sure how far the activities of this particular Sub-Committee would go, although he appeared somewhat disturbed at the indications that Emmerson had been called to appear again before it this Thursday. Clearly the State Department is troubled by the effect which all of this may have on their own position as well as on officials of other Governments whose names might be mentioned during such hearings.

5. Elbrick said that the State Department would of course be replying to your Note after it had received the serious attention which it merited. There was not a hope, however, that such a reply could be given to us tomorrow. They naturally could not object to your plan to release our Note tomorrow afternoon.

6. In talking with Elbrick, I recalled a visit which I had made to Washington in connection with the earlier episode when I was Under-Secretary. At that time I had seen "Doc" Matthews, who was then Deputy Under Secretary, in order to assure him personally that we were completely satisfied about Norman's loyalty and integrity and to secure an assurance from Matthews that the State Department and its representatives abroad would continue to show the same confidence in Norman as in other accredited representatives of the Canadian Government. Matthews had given me such an assurance at that time and I would expect it to continue to apply to Norman in present circumstances.

7. Finally I drew Elbrick's attention to your exchange in the House of Commons on March 15, 1957, and gave him extra copies to supplement those already received from this Embassy and from Merchant in Ottawa.

[A.D.P.] HEENEY

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55. DFAIT/29-7-2-USA-NORMAN

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 729 Washington, March 29, 1957

SECRET. IMPORTANT.
Reference: Our tel 718 Mar 28.†
For Under-Secretary.

REFS TO E.H. NORMAN IN HEARINGS OF THE SENATE INTERNAL SECURITY SUB-COMMITTEE

Despite the efforts which have been made by the State Department, the publication yesterday, on the basis of the Sub-Committee's decision, of further testimony taken in closed session in the hearings on the case of John Emmerson on March 21 clearly indicates that the Sub-Committee remains in full control of its own extraordinary procedures, and is unlikely to drop this case or to acknowledge in any way that its methods are at fault.

2. In reviewing the unhappy history of this matter, it will be clear that our recent protests to the State Department, modelled on similar action taken in 1951, while given a receptive and sympathetic hearing by the State Department have had little or no effect on members of the Sub-Committee and their supporting counsel.

3. There would seem to be only two possible courses. One, to leave matters where they now stand, on the basis of your public statement in the House on this case (March 15, 1957) and the earlier public statements of 1951. To this latest statement of the position of the Canadian Government may be added the public statement issued by the State Department on March 16 to the effect that "allegations which may have been made regarding Mr. Norman in the course of the hearings do not represent opinions of the USA Government, and that the USA maintains the friendliest relations with Canada, and has every confidence in the Canadian Government's judgement in the selection of its official representatives."[56]

4. It is to be expected that our formal note of March 18 to the State Department will receive a reply in due course, and presumably the question whether this exchange should be made public will be given careful consideration. We would hope the State Department reply would cover Morris' statements (March 21) concerning the State Department, made public yesterday and referred to in our telegram under reference. You will presumably wish to examine the transcript carefully.

5. The alternative course would be to restate the position taken in the memo of August 14, 1951, left with the State Department, as to the procedure we would wish followed in this and any similar cases which might arise. You will recall that that communication contained the following paragraphs.

"....If in evidence before investigating committees in Washington names of Canadian officials appear, the Canadian Government naturally expects that these names can be sent in confidence to the Canadian Government so that the allegations made can be investigated here and the results referred back to the State Department.

"The Canadian Government hopes that the State Department will agree that this is the course which should have been followed in this case, and will be able to give some assurance that it will be followed in the future."

6. You will note that in the hearings of March 21 made public yesterday, reference is again made by Morris, the Subcommittee counsel, to a "security memo" said to be in the possession of the Subcommittee, on the Norman case, and Morris has said "I understand that the State Department has now asked the FBI for this particular info, and apparently the FBI info that they have given them does confirm the security report that we put in the record."[57] In the second course described, we might presumably communicate to the State Department a request that any alleged security documents bearing on this case which have not hitherto been transmitted through appropriate channels to the Canadian authorities should be so communicated at once, for examination by the competent Canadian authorities as part of our own evaluation.

7. Of these two possible courses, we consider that in the light of our own firm determination in this case, and in view of the record of the Subcommittee, the second would lead

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[56] Voir/See United States, Department of State, *Bulletin*, Volume XXXVI, No. 927, April 1, 1957, p. 539.

[57] Voir/See United States, Senate, *Hearings before the Subcommittee to Investigate the Administration of the Internal Security Act and other Internal Security Laws of the Committee of the Judiciary, 85th Congress, First Session on Scope of Soviet Activity in the United States, Part 56, March 12 and 21 1957*, Washington: United States Government Printing Office, 1957, p. 3675.

only to the production of additional so-called "evidence" whenever the Committee saw fit for its own reasons to do so. We are inclined to think that this would not have the effect of stopping the renewed publication of these charges, and further it might well lead us into an unproductive exchange with the Subcommittee through the State Department on the evaluation of individual items of alleged "evidence".

8. This leaves us then with the first course, and although here too the possibility of further publicity must be expected, we will at least be resting our case on the firm public statements and official protests that have already been made in this matter. In this event there is some prospect that the responsible newspapers would not pay undue attention to the further proceedings of the Subcommittee in this case. (On the publication of yesterday's record, the *Washington Post* carried no reference today, and the *New York Times* only a brief and innocuous item from the UP). This does not, of course, mean that we should not continue and intensify our efforts with the State Department and the Administration to encourage them to renew their efforts to put these matters on a more rational and orderly basis, although we need not be too optimistic of the effects of our representations.

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56. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], April 4, 1957

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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DEATH OF CANADIAN AMBASSADOR TO EGYPT;[58] SUGGESTION IN HOUSE OF COMMONS TO FLY PEACE TOWER FLAG AT HALF-MAST

26. *The Minister of Public Works* said it would be undesirable to follow the suggestion of the Leader of the Opposition to fly the Peace Tower flag at half-mast for the Canadian Ambassador to Egypt, who had died in Cairo. This would establish an undesirable precedent, since it had never been done for any civil servant, nor any member of the Armed Services, even in war, but only for Members of Parliament and Senators. If it were once started for others it would become extremely difficult to determine where the line should be drawn.

27. *The Cabinet*, on the recommendation of the Minister of Public Works, agreed that the flag on the Peace Tower should not be flown at half-mast because of the death in Cairo of Mr. Herbert Norman, Canadian Ambassador to Egypt, despite the suggestion to that effect in Parliament by the Leader of the Opposition, because once exceptions were made to the present practice there would be no way of deciding when the flag should be flown at half-mast.

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57. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 812 Washington, April 6, 1957

CONFIDENTIAL. OPIMMEDIATE.

ALLEGATIONS AGAINST MR. NORMAN — SENATOR WATKINS STATEMENT

Your attention is drawn to AP despatch datelined Washington, April 5, in today's *New York Times*, which quotes Senator Watkins (Rep. Utah), Chairman of Senate Internal Sub-Committee, as having said that the publication of the Sub-Committee's first report (hearings of March 13) released on March 14, (see our telegram 602 of March 14) had been agreed to by him with "serious misgivings". According to this press report, Senator Watkins said "his reluctance was overcome to a large extent by the fact" that the State Department had cleared the first of these two records for publication. The report goes on: "Mr. Watkins said he had signed an approval for the release, along with other Subcommittee members, only after he had called the State Department and confirmed statements by the Subcommittee staff that the records had been cleared by the department." Later, Mr. Watkins said "I have been advised that only the security officers of the State Department had passed on the approval, and it was only after the review of the record in light of the protest from the Canadian Government that it was realized that the diplomatic section of the department should also have passed on the matter." Since the Subcommittee had already released the first hearing record, Mr. Watkins explained, "I felt it was only just to the witness and to Dr. Norman that the second hearing record should be also made public, because on the whole, the testimony at the second hearing was very favorable to the witness and to Dr. Norman." Mr. Watkins said that he had learned the release of the second hearing record was objected to by the Canadian Government but that "this fact was unknown to me" when he gave his approval.

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[58] Bouleversé par de nouvelles allégations selon lesquelles il aurait été un agent communiste, Norman s'est suicidé au Caire le 4 avril 1957.
Distressed by the renewed allegations that he had been a Communist agent, Norman committed suicide in Cairo on April 4, 1957.

2. We shall try to obtain the full text of this statement of Senator Watkins as promptly as possible.

3. According to the same press despatch, the State Department explained "that it was a case of an Acting Security Chief acting without authority and without consulting higher officials." Morris, questioned about the Watkins' statement is reported as having said that the testimony was cleared by Robert Cartwright, Acting State Department Security Chief, in the absence of Scott McLeod. "We deal only with the security people" Mr. Morris said. "They represent, Mr. Morris added, the State Department as far as we are concerned."

4. As you are aware, the various senior State Department officials with whom we have taken up this case from time to time have continually emphasized the fact that the Executive Branch could not control the actions of the Subcommittee. As the State Department press release of March 16 points out "the investigation being undertaken by the committee lies entirely within the control of the committee".

5. It seems to me clear that in the light of the AP report referred to above, we must address ourselves at once to the State Department to obtain a full explanation of the procedure which was followed in this case, and of the role reported to have been played by the Security Section of the State Department in the authorization of the release of the record on March 14, together with an indication of any part this section might have played in the subsequent release of March 28 of the hearings held on March 21. At the same time, we should press for a reply to our note of protest communicated to the State Department following the publication of the first report. This is necessary in any event. But the need for a reply is increased by the fact that according to Reuters press despatch from Tokyo of April 5, a "formal United States reply to a Japanese Government protest had been received by the Foreign Office through the Japanese Ambassador in Washington which expressed regret that the Japanese Professor Shigeto Tsuru (visiting in the U.S.) had been called before the Senate Investigation Committee". Finally, I believe we should take up as a matter of urgency, with the State Department the question of future procedure in similar cases and insist again (as we did in 1952) on the need for agreed and orderly procedures for handling any future cases of this kind which may arise. While the tragedy in the Norman case cannot be undone, it may be that with firmness on our part the individuals involved in investigations affecting foreign nationals and officials can be brought to a sense of responsibility. It would, I think, be clearly in the interest of future U.S.-Canadian relations to continue to make the points we had taken up with the State Department before this tragedy occurred.

6. I spoke to Elbrick of the State Department, this morning on the lines of the three points mentioned above. He at once confirmed that the State Department Acting Security Officer had acted on his own initiative and without any other authorization from the State Department. I told him that I wished to discuss these matters with him on Monday April 8. If there are any additional points you wish me to take up at that time, I should be glad to receive them before 10 a.m. on Monday. In the light of our conversation you may wish to consider incorporating these points in a formal communication to the State Department.

7. The only other development which has come to our notice is that Senator Neuberger (Dem.-Oregon) has publicly urged that a bi-partisan group of Senators investigate the Subcommittee's actions because of the "serious implications for our foreign relations".

[A.D.P.] HEENEY

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58. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 822 Washington, April 8, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Our Tel. 812 of April 6.

CASE OF E.H. NORMAN

I called this morning on Elbrick, (with Lister present) to raise the three points mentioned in paragraph 5 of my telegram under reference. I emphasized again at the outset the depth and seriousness of the concern which this case had aroused in Canada, and said that it had been our hope after the developments of 1951 and 1952 that our two governments had been of one mind on the impropriety of the publication on the basis of such investigations of the names of Canadian officials. I stressed the point in our Memorandum of August 14, 1951, that if, in evidence before investigating committees in Washington, names of Canadian officials appear, the Canadian Government expects that these names can be sent in confidence to the Canadian Government, so that the allegations can be investigated by the responsible Canadian authorities, and the results referred back to the State Department.

2. It was necessary, therefore, for us to follow up our formal protest of March 18, to which no reply had yet been received, and to obtain from the State Department a full explanation of the procedure followed in this case, and of the role reported to have been played by a security officer of the State Department in allegedly authorizing the release of the record on March 14. Finally, I said that we would wish to initiate discussions with the State Department whereby an orderly and agreed procedure would be substituted for the handling of future cases should they arise.

3. The State Department has not yet completed its enquiries, and Elbrick was not able today to give us a full account of the communications which have passed between the State Department and the Sub-Committee, or to indicate with precision the degree of responsibility of the State Department security officer who agreed to the release. We were told that this particular officer, as is customary, was present with Emmerson at the hearings, and it would appear that he did in fact either acquiesce in, or give his concurrence to, the release of at least part of the record, although we gathered that a full report on this aspect is not yet completed. Elbrick made it clear that the State Department at the highest levels was strongly opposed to this kind of action on the part of the officer concerned, and agreed with our view that a full report is required. The Assistant Secretary in charge of Congressional Relations was in direct touch with Morris today and the Senators concerned, and we would be informed of the results of the enquiry as promptly as possible. Elbrick was at pains to assure us that the policy of the Executive Branch and of the State Department had

not changed in any sense, and every effort would be made to guard against any similar occurrences in the future. He said that the Secretary himself had been deeply distressed by the recent developments and that both the Under-Secretary and Mr. Murphy had been in frequent touch with the Sub-Committee.

4. Following the receipt of the Canadian protest on March 18, the State Department had communicated with Senator Eastland, the Chairman of the Sub-Committee, both in writing and orally, to urge that further publication in the Norman case would seriously jeopardize our relations. Senator Eastland had replied on March 22, reiterating the Sub-Committee's right to maintain a public record in internal security investigations, and rejecting the suggestion that references to Canadian or other foreign officials should be deleted. The argument was to the effect that there was an obligation on the Sub-Committee to present to the Senate the whole picture, and that the presentation of a partial picture would be unfair to Emmerson and to Norman and to the objectives of the Sub-Committee. We requested, and hope to obtain, an accurate summary of Senator Eastland's reply. Both before and after the receipt of this reply, the State Department at senior levels took up this matter directly with the Sub-Committee, but to no avail, as was evidenced by the release of the report on March 28 of the hearings on March 21.

5. Elbrick did not deny that this case had been badly handled internally, and that a full investigation was needed to establish the role of the security officer concerned in giving clearance for the release of this testimony.

6. With reference to our protest of March 18, he said that a reply would be forthcoming shortly and after these current investigations are completed. He also agreed that every effort should be made to establish an agreed procedure for the handling of similar cases in the future, despite the obstructionist attitude taken to date by certain members of the Internal Security Sub-Committee.

7. At the conclusion of our meeting, we agreed that the following reply† might be made to any press enquiries.

[A.D.P.] HEENEY

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59. DEA/27-3-12

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DS-85 Ottawa, April 8, 1957

CONFIDENTIAL. OPIMMEDIATE.

E.H. NORMAN

My immediately following telegram contains draft instructions and the draft text of a proposed letter to the State Department. The Minister is discussing this with the Prime Minister this morning and would be glad to have your comments on this proposal. In making the letter public it will of course be necessary to accompany it with a statement making it clear that the allegations made by the Subcommittee were not based on Canadian info and that the action we have taken is based on the necessity of protecting any info in the future which may be passed to USA agencies, e.g. info bearing on joint investigations and info on known communists where they are likely to visit the USA. We shall be drafting a statement along these lines today.

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60. DFAIT/29-7-2-USA-NORMAN

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DS-86 Ottawa, April 8, 1957

CONFIDENTIAL

In view of the reaction in the House and in the press to Herbert Norman's death we have decided that it would be desirable to deliver a letter to the United States Secretary of State in the following terms. Text begins:

"In the light of the actions taken by the Internal Security Sub-Committee of the Committee on the Judiciary of the US Senate in publishing testimony taken in executive session concerning the late Mr. E.H. Norman, I am instructed by my Government to inform you with regret that the Canadian Government will be unable in future to supply any security information concerning a Canadian citizen to any US Government agency without an assurance from the US Government that no agency of that government will pass such information to the legislative branch of the US Government without the express consent of the Canadian Government. I am requested to express the hope that the US Government will be able without delay to give such an assurance to the Canadian Government." Text ends.

2. Although I realize that most of the information which has been gathered by the Sub-Committee has come from witnesses called by the Committee who have no doubt repeated evidence already given to the FBI, nonetheless I believe it is desirable to have this on record. In passing this letter to the State Department will you please inform them that we have no desire to upset in any way the long standing and friendly relations between the FBI and the RCM Police. Nor do we wish to upset the new and satisfactory relations between the US Immigration and Naturalization Service and the RCM Police. I do feel however under compulsion to ensure that the maximum protection is given to any information on any Canadian which may be passed to the US Government for the mutual protection of our two countries.

3. Would you please inform me of the time that you will deliver the letter to the State Department to enable Commissioner Nicholson to inform in advance both the FBI and the US Immigration Service of our intention of doing this and give them an assurance that we have no desire to upset the present good relations.

4. Would you also inform the State Department at the same time that I intend to inform the House of Commons of the text of the letter before the House prorogues at the end of the week.[59]

[L.B.] PEARSON

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[59] Note marginale :/Marginal note:

Sent as Draft instructions re: E.H. Norman; subsequently approved by P[rime] M[inister] [G.G. Crean]

61. DEA/27-3-12

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DS-87 Ottawa, April 9, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: My tel DS86 Apr 8.

INTERNAL SECURITY SUB-COMMITTEE — DRAFT LETTER TO USA SECRETARY OF STATE

We have now redrafted the proposed letter to the USA Secretary of State and my telegram DS88 contains a new proposed text. Following your talk with the Minister and the previous talk between Rae and Crean you will note that this has been generally altered to include the question of establishing orderly procedures for dealing with cases like the Norman case. The Minister has seen this new draft this morning and would like to have your comments as soon as possible. He has agreed to put off making a statement in the House at least until tomorrow.

62. DEA/27-3-12

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DS-88 Ottawa, April 9, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: My tel DS87 Apr 9.

DRAFT TEXT OF LETTER TO USA SECRETARY OF STATE

"I am instructed by my Government to take up as a matter of urgency with the USA Government, the question of the procedures which have been followed intermittently by the Internal Security Sub-Committee of the Senate Committee on the judiciary in releasing the names of Canadians who have been mentioned in the testimony taken in executive session of that Sub-Committee.

As long ago as August 14, 1951 the Canadian Government complained of the methods employed by that Sub-Committee in releasing the names of Canadians and stated that "if in evidence before investigating committees in Washington the names of Canadian officials appear, the Canadian Government naturally expects that these names can be sent in confidence to the Canadian Government so that the allegations can be investigated here and referred back to the State Department."

Since that time the Canadian Government has reiterated this request to the USA Government. The procedure requested by the Canadian Government has never been acceded to, and the SubCommittee has continued either to release partial testimony to the press without any reference by the USA Government to the Canadian Government, or alternatively has apparently supplied info obtained in executive session to unofficial USA sources. Testimony taken in executive session about any Canadian has never been supplied to the Canadian Government, except through the press. As the USA Government well knows, the Canadian Government finds the continued activities of the Sub-Committee with respect to Canadians as difficult to understand, as it is unfair and indeed intolerable with respect to the Canadians who have been concerned from time to time. The Canadian Government expresses the sincere hope that the USA Government will at long last be able to acquiesce in the requests which the Canadian Government has made from time to time of which the memo of August 14, 1951 is but one example.

The USA Government will appreciate that the Canadian Government has a duty to protect Canadian citizens by all means legally at its disposal. There is little that the Canadian Government can do to protect Canadian citizens, whose names are produced publicly by the legislative branch of the USA Government as the result of testimony taken before congressional committees, without the co-operation of the USA Government. However, the USA Government is aware that the appropriate security agency of the Canadian Government has supplied in the past security info on Canadian citizens to appropriate USA Government agencies on a reciprocal basis when such info forms part of an investigation which is important to the security of our two countries, or where known Canadian communists apply for entry to either country. This exchange of info has assisted in maintaining the security of our two countries. Although the Canadian Government knows of no instance where such info has been improperly used by either government, nonetheless, in present circumstances the Canadian Government considers that it must take every precaution which lies within its jurisdiction to protect Canadian citizens in the future. Accordingly, I am instructed by my Government to inform you with regret that the Canadian Government will be unable in future to supply any security info concerning a Canadian citizen to any USA Government agency without an assurance from the USA Government that no agency of that Government will pass such info to the legislative branch of the USA Government without the express consent of the Canadian Government. I am requested to express the hope that the USA Government will be able without delay to give such an assurance to the Canadian Government. The Canadian Government for its part assures the USA Government that any security info on USA citizens supplied by USA agencies to the Security Agency of the Canadian Government, will be given similar protection in Canada to that now requested with respect to security info about Canadians from the USA Government.

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63. DEA/27-3-12

Note de l'ambassadeur aux États-Unis

Memorandum by Ambassador in United States

CONFIDENTIAL [Washington], April 9, 1957

CANADA—U.S. SECURITY RELATIONS; U.S. SENATE INTERNAL SECURITY SUB-COMMITTEE

Last evening at his request, the Assistant Secretary of State for European Affairs (Burke Elbrick) called on me at 7:15 to bring to my attention two developments which he regarded as very serious in the proceedings of the Senate Sub-Committee. Hill, the Assistant Secretary of State for Congressional Affairs, who had been conferring with the Sub-Committee

(Morris, the Chief Counsel, I presume) earlier yesterday with regard to the Norman case, reported that the Sub-Committee were intending to go into the charge made by Elizabeth Bentley some years ago that "a high Canadian official" (identified in the press at the time as Mr. Pearson) had leaked American wartime secrets to a known Soviet agent. (This story had been repeated in the Hearst Press recently [*New York Journal American*, April 1, 1957, "Canadian Spy Secret" by David Sentner]). One feature of this story which concerned the State Department was the reference to the U.S. Foreign Service Officer going to Ottawa to see the Prime Minister and the Minister to inform them of these charges.

2. Elbrick noted from a ticker report during the late afternoon that the Minister was to make a statement on security relations with the United States in the House of Commons the following day (i.e. April 9). It seemed of great importance to the State Department that these difficult problems should be dealt with objectively and not complicated by the natural emotional reaction resulting from the recent behaviour of the Senate Sub-Committee and the Norman tragedy. He suggested that I let Mr. Pearson know at once what the State Department had learned concerning the Sub-Committee's intentions.

3. I told Elbrick that, while we agreed that these matters should be dealt with unemotionally and realistically, he could not expect other than a very violent reaction if the Senate Sub-Committee further confounded their irresponsible behaviour of the past few weeks on Canadian affairs by dragging out this old story about the Minister. I had myself heard earlier that afternoon (from Robert McEwan, a Canadian journalist) that Morris was contemplating an investigation which would involve R.B. Bryce, Secretary of the Canadian Cabinet. Just how ridiculous could you get? I felt sure the Canadian authorities would scorn to do anything to prevent such absurd goings on.

4. Subsequently I communicated the sense of my conversation with Elbrick to the Under-Secretary in Ottawa, Mr. Pearson being unavailable. Léger promised to let the Minister know what had transpired as soon as possible.

5. This morning Mr. Pearson telephoned me at 9:15. He began by saying that the State Department should be given no reason to think that the Canadian authorities had any desire to suppress or have withheld stories involving himself. Canadian opinion, in the event of the Senate Sub-Committee proceeding, would support him and the Government unanimously in condemning the Sub-Committee's action and would become even more violently anti-American than it was already. Personally he had never experienced an atmosphere so critical of the United States on all sides of the House of Commons and throughout the country. The Norman tragedy and the conduct of the Senate Sub-Committee in that connection had sparked the fire and the further actions apparently contemplated by the Sub-Committee could only result in a violent popular explosion. This would not harm the Government but would indeed benefit them politically.

6. The Minister referred to the statement which he was proposing to make today in the House of Commons (and which the Opposition were pressing for) upon security cooperation with the United States. Action was being demanded on all sides and Parliament was on the point of pre-election dissolution. He felt that it was essential to assure the House that Canadian cooperation in security matters would be withheld without categorical assurances from the U.S. Government.

7. I urged Mr. Pearson to defer his proposed statement in the House (and his instructions to present a Note to the State Department) until I had a further opportunity of emphasizing with U.S. authorities the extreme gravity of the situation in terms of Canadian-American relations. It seemed to me, I said, that there were three solid reasons for delaying action at least for twentyfour hours:

(a) if we confined our statement to information deriving from Canadian sources this might prejudice our position respecting information from other sources affecting Canadians (the latter being the Norman case);

(b) there was real risk that the action proposed would imperil the system of security cooperation between the security agencies of the two Governments which was of great value to us as well as to the United States; and

(c) the State Department were presently engaged at the top level in trying to limit and control the actions of Congress in discussions presently being carried on with the Internal Security Sub-Committee; the tide of Congressional and public opinion against the excesses of Eastland, Jenner, *et al* was rising and violent action on our part might prejudice a successful issue.

8. The Minister agreed that he would hold his statement for twenty-four hours but he could delay it no longer than that. Although he was skeptical that the State Department could (or the Secretary of State would) take any effective action, he agreed that I should see the State Department at once and inform them of the state of opinion in Parliament and in the country. Even such a short delay would be difficult because the Opposition would question him on the opening of the House this morning. (He was trying to persuade Mr. Alistair Stewart of the CCF not to ask a question on the Orders of the Day whether the Government intended to withdraw their Ambassador to Washington.) It would be in order for me to tell U.S. authorities the kind of statement which the Government felt bound to make with regard to security cooperation with the United States.

9. I have now arranged to see the Acting Secretary of State (Herter) and Elbrick at 11:30 this morning and have undertaken to report by telephone to Mr. Pearson if possible before 1:00 o'clock.

10. Mr. Pearson also told me that he was thinking of referring publicly himself to the charges made by Bentley in 1952 (?). Later in the morning he told me that he had given instructions to request permission from the F.B.I. to use the Bentley evidence. At his request I passed on this information to Elbrick for the Acting Secretary. (The object, of course, would be to pour ridicule upon the whole Sub-Committee proceedings with regard to Canadian officials.)

A.D.P. H[EENEY]

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64. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 835 Washington, April 9, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel 829 of April 9.†

Repeat for information London for the High Commissioner.

CANADA-U.S. SECURITY RELATIONS; U.S. SENATE INTERNAL SECURITY SUB-COMMITTEE

Following for the Minister and Under-Secretary *only*. Following our first telephone conversation this morning, I decided to request an immediate interview with the Acting Secretary of State, Christian Herter. He received me at 11:30 a.m. Elbrick was with him.

2. I began by referring to the old proceedings in which you yourself feature in connection with Bentley's "testimony". (This was the veiled subject of the Sentner article in the *N.Y. Journal-American* of April 1 reported in telegram from Consul-General in New York No. 970† of that date.) I also mentioned in confidence what Robert McKeown had told us yesterday of his conversation with Morris in which the latter had spoken of Bob Bryce as a next object for the sub-Committee's attentions. Such fantastic and ridiculous allegations indicated to us the lengths to which the sub-Committee seemed prepared to go.

3. I conveyed to Herter your appreciation of the temper of the House of Commons, irrespective of party, and of Canadian opinion generally, pointing out that it was difficult to overstate the seriousness of the possible implications for Canadian-American relations, particularly if the sub-Committee were now contemplating further attacks. I mentioned the suggestion being made in some quarters (including Parliament) that our Ambassador in Washington be withdrawn, and your own efforts to prevent extremes of this kind.

4. So far as the references to yourself were concerned, I made it quite clear to Herter that it was entirely up to the sub-Committee whether or not they went ahead and produced the so-called "evidence". You would want it to be understood quite clearly that we were not making any suggestions whatever that the State Department take any steps or make any effort to suppress these allegations. However, if such stories continued to be bandied about, the repercussions in Canada would be very serious indeed. In the present exacerbated temper of Canadian opinion, failure to resolve these matters and to deal with them responsibly could not fail to affect the Canadian attitude not only on the handling of security problems between the two countries, but also on other matters where, as both of us will know, close Canadian-American cooperation was of great importance, not only to our two countries but to the whole Western alliance.

5. I went on to tell Herter that we would be presenting a further Note, tomorrow (April 10) and that you would be making a statement then in the House on cooperation in the exchange of security information. I described your views on the lines of paragraph 1 of your telegram No. DS86 of April 8. You had agreed to defer the presentation of the Note, and your statement for twenty-four hours, despite Parliamentary pressure, in order to give us here an opportunity of bringing the gravity of the situation once more to his (Herter's) attention for such action as might be open to the Administration.

6. Herter was entirely sympathetic in his reaction. He recognized not only the depth of feeling in Canada on this whole subject, but its dangers for further deterioration in Canadian-American relations. He feared, however, that Senator Jenner was ready to "strike back" in reply to your own public references to the sub-Committee. The Administration were making every effort to restrain Jenner, but Herter was not optimistic that they would succeed. Private soundings had indicated that even a letter from the President would be likely only to "spur him on". Mr. Eisenhower had taken the matter up through Senator Knowland, and the Administration would do all they could to calm down the extreme members of the sub-Committee, as a basis for more responsible procedures in the future.

7. Before leaving, I drew Herter's attention to the statement which Dulles had made at a press conference on November 24, 1953, concerning the reports respecting yourself.[60] It was, of course, for the Administration to decide, but a high level public statement concerning the proceedings of the sub-Committee might have some effect.

8. It was agreed that I should call on the Acting Secretary again tomorrow morning, April 10, to present our Note and inform him of your intentions with regard to your Parliamentary statement. At that time he would let me know what he had learned in the interim concerning the sub-Committee's intentions.

9. Following our later telephone conversation, I have now told Elbrick that you have given instructions to request F.B.I. consent for you to make public use of the Bentley testimony if you saw fit. I also urged the importance of a reply to our Note of protest of March 18.

10. Since preparing the above paragraphs, Elbrick telephoned after 6:00 o'clock this evening to pass on word from Herter that Jenner had "calmed down considerably" and was now inclined to "remain calm" unless there were some further development (in Canada) which provoked him to further public reactions. Elbrick added that of course the Senator was quite unpredictable and that this impression was conveyed to us without any guarantee that it was correct. It was obvious, however, that the State Department hoped that your statement in the House of Commons tomorrow would not provide Jenner with an excuse for violent counter-statement.

11. Elbrick has now just told me their reply to our Note of protest will be ready for us tomorrow morning and that the Acting Secretary will receive me at 11:15. Please let me have any further instructions you may have first thing in the morning, including your wishes concerning publication of the Note of protest and the reply. The State Department's reply will not, I judge, be very constructive, or on the other hand very contentious.

[A.D.P.] HEENEY

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65. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 856 Washington, April 10, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Your Tel. DS88 of April 9.

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[60] Pour l'échange de notes avec le Canada en 1953, l'échange de lettres entre le secrétaire Dulles et le sénateur Jenner, et la conférence de presse de Dulles, voir United States, Department of State, *Bulletin*, volume XXIX, n° 754, December 7, 1953, pp. 789 à 792.

For the exchange of notes with Canada in 1953, the exchange of letters between Secretary Dulles and Senator Jenner, and Dulles' press conference, see United States, Department of State, *Bulletin*, Volume XXIX, No. 754, December 7, 1953, pp. 789-792.

CANADA-U.S. SECURITY PROCEDURES; NOTE TO ACTING SECRETARY OF STATE

1. Following our several telephone conversations this morning I called with Rae at the State Department just before one o'clock where I was received by the Acting Secretary (Herter), Robert Murphy, the Deputy Under Secretary, and Elbrick, Assistant Secretary (European Affairs) to present the Note set out in your telegram under reference with the minor revision in the first paragraph which you authorized by telephone.

2. I read the Note in their presence, and added certain general comments. On the basis of your telegram DS86 of April 8, para 2, I said that, although we had found it necessary to take this step, we had no desire to upset the long-standing and friendly relations between the F.B.I. and the R.C.M.P., nor the new and satisfactory arrangements between the U.S. Immigration and Naturalization Service and the R.C.M.P., to both of which we attached importance. Further, we considered it important in our joint interest to maintain this close co-operation in the security field, as in other fields. At the same time, in view of recent events, the Government of Canada was under compulsion to ensure that the maximum protection was in fact provided to any information which might be passed to the United States Government concerning any Canadian.

3. I then went on to say that you would be making a statement on this subject in the House of Commons at 2:30 this afternoon when you would quote the text of the Note I was then presenting.[61]

4. The USA officials listened gravely to my reading of the Note and to my observations. There is, in my mind, no doubt whatever that they received our communication with serious concern. Herter remarked that, as we knew, the Administration had been bending their efforts to reducing the temperature of the Senate sub-Committee. He was afraid that this communication of ours would re-open the whole issue and send Senatorial blood pressure soaring; the public reactions of Jenner and Co. would almost certainly be violent. He was sorry that we had felt bound to raise this general question in the immediate wake of the Norman case, where information from Canadian sources passed by the executive to the legislative branch was not involved but rather the conduct of the sub-Committee respecting the testimony of witnesses and reports originating in the United States. He hoped this distinction could be made clear in Ottawa.

5. There is no doubt that Herter and Murphy (in particular) were seriously disturbed by the last paragraph in our Note concerning the possibility of our present security cooperation being suspended. Murphy came back to this at least twice. All that I could do was to repeat that we had no wish to disturb present arrangements and that we, too, felt continued cooperation to be of great importance in our joint interest.

6. Herter then drew attention to the substantial point of fact which I discussed with you by telephone immediately from Herter's office. This was the assertion in para 3 of the Note that "this procedure requested by the Canadian Government has *never* been followed". Both Herter and Murphy pointed out that, in the case of the Bonbright visit to Ottawa in October 1952, at least, the procedure which we wanted had been followed precisely; references made to Canadians in proceedings of the sub-Committee had in fact been transmitted to the Canadian Government in confidence by special messenger. When I drew this to your attention on the telephone, you at once agreed to a suitable amendment of this para 3 and subsequently gave me the revised text repeated in the following para of this message.

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[61] Voir Canada, Chambre des Communes, *Débats*, 1957, volume III, p. 3519.
See Canada, House of Commons, *Debates*, 1957, Volume III, pp. 3358-3359.

This was then substituted for the former para 3 and a clean amended original of the Note delivered to the State Department.

7. Text of para 3 begins: "In our view, it is essential that this procedure requested by the Canadian Government should be followed and that reference made in proceedings of the sub-Committee to individual Canadians should not first be made known to the Canadian Government through the press." Text ends.

8. You also instructed me on the telephone when making the above revision to insert the word "actually" between the words "procedures" and "adopted" in para 4. This was done.

9. At the same interview today, Herter handed me the text of the U.S.A. Note of April constituting the State Department's reply to our earlier Note of March 18.[62] He suggested that if this first exchange were to be made public (as we contemplated), this should be done at once to avoid confusion with our new Note which you were to read to the House this afternoon. To this I felt bound to agree (although the U.S.A. reply as you will have noted is pretty unsatisfactory from our point of view). The text of the U.S.A. Note was repeated to you in our earlier telegram No. 840 of April 10.

10. Finally I should I think repeat what I said to you when we spoke last on the telephone before you went into the House this afternoon about the attitude of the State Department in this unhappy business. From the Secretary down, they have certainly taken our problem seriously. Herter, Murphy and Elbrick have been particularly understanding of our problems. All of them were profoundly shocked by Herbert Norman's death. The most senior officers have made themselves available to us for consultation immediately and on short notice. Furthermore, it is my belief that the State Department, in particular Herter and Murphy, have made genuine efforts directly and through the White House to impress upon the members of the sub-Committee the serious consequences of their dealing with Canadian affairs as they have done in the Norman case. Although this certainly does not excuse, at least in Canadian eyes, the unwillingness of the Administration to speak out publicly against the conduct of members of the sub-Committee and its staff, nor the administrative bungling which led an official of the State Department to concur or acquiesce in the sub-Committee's proceedings being made public, it should be remembered in extenuation that the State Department itself has a long and baleful history of pursuit by the same Congressional persecutors and is conscious of the severe limitations upon its own influence with Congress. This, of course, is not to say that the State Department could not have done better from our point of view. It could have apologized, for example, for the error of its own officer in permitting publication of the Norman testimony. But it does go some way toward explaining the Department's position.

11. As you authorized me to do by telephone, I expressed to Herter, Murphy and Elbrick (through the last named) your appreciation of their attitude and efforts.

[A.D.P.] HEENEY

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[62] Voir/See United States, Department of State, *Bulletin*, Volume XXXVI, No. 931, April 29, 1957, p. 694.

66. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 862 Washington, April 11, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Our Tel. 851 of April 10.†

CANADA-UNITED STATES SECURITY RELATIONS; PRESIDENT EISENHOWER'S VIEWS

This morning, as a result of an appointment I had made last week through Governor Adams, I called on the President just before noon to say goodbye. He was in good vigorous form and, after a few pleasantries about my mission, introduced the subject of the difficulties between our two countries arising from proceedings in the Senate Sub-Committee on Internal Security.[63]

2. Mr. Eisenhower in effect repeated what he had said in his press conference of yesterday,[64] April 10, the verbatim record of which is contained in our telegram under reference. He went on to say that he had been very much disturbed by the deterioration in the relations with Canada and that nothing should be allowed to interfere with our mutual confidence. He hoped that what he had said to the press would help to restore normally good feeling.

3. I said that, as the President had gathered, Canadian opinion had been very deeply moved by what had occurred. Herbert Norman's death had of course intensified the reactions of Canadians but, and apart from this tragedy, Canadians were very angry indeed at what they regarded as the unjustified interference by the Senate sub-Committee and its staff (I named Jenner and Morris as particular targets of Canadian criticism) in Canadian affairs. I of course expressed entire agreement that it would be a great pity for both of us if recent events led to a breakdown in the traditional cooperation between our two countries of which Mr. Eisenhower had spoken with enthusiasm.

4. The President expressed understanding of Canadian resentment of the Senate sub-Committee's actions. However, under the U.S. system of Government (and some might well regard this as a bad system from some points of view) the Executive simply did not control the Congress. If he had openly criticized Senator Jenner (whom he admitted was "nuts") this would simply have resulted in blowing up the importance of the Senators in question and giving them a new lease of life. He had refused to be drawn into the

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[63] Heeney a quitté son poste à Washington le 25 avril 1957 et est retourné à Ottawa pour devenir président de la Commission de la fonction publique du Canada. Il a été remplacé par Norman Robertson, qui a présenté ses lettres de créance à Eisenhower le 17 mai 1957.

Heeney was to leave his duties in Washington on April 25, 1957 and return to Ottawa to become Chairman of the Civil Service Commission of Canada. He was replaced by Norman Robertson, who presented his credentials to Eisenhower on May 17, 1957.

[64] Voir/See United States, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower 1957*, Washington D.C.: United States Government Printing Office, 1958, pp. 279-280.

McCarthy controversy and look what had happened to the Senator from Wisconsin. He hoped the Prime Minister and Mr. Pearson understood this.

5. I said that I was quite sure that members of the Canadian Government understood the distinction and the difficulties involved in such matters through the division of powers. Nevertheless the Canadian people generally could not be expected to appreciate the USA constitutional position which was so unlike their own. I felt sure, however, that Mr. St. Laurent and you would be glad to have this personal explanation from Mr. Eisenhower (which he had asked me to convey to you).

6. As there were a great many journalists, television and film representatives awaiting my departure, it was agreed with Hagerty, the President's Press Officer, that when I left it would be said by both of us that while the purpose of my call was to take leave of the President, Mr. Eisenhower had taken the opportunity of expressing once more his regret concerning the tragedy in Cairo and explaining the U.S.A. position along the lines of his press conference of yesterday. This in fact was what was done, although what gloss the press will put upon our chat, which lasted perhaps twenty minutes, remains to be seen.

[A.D.P.] HEENEY

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67. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 866 Washington, April 11, 1957

CONFIDENTIAL. PRIORITY.

STATEMENTS MADE TO THE PRESS BY SENATE INTERNAL SECURITY SUB-COMMITTEE AND BY STATE DEPT.

We understand that, following publication of Minister's statement in the House yesterday, members of the Internal Security Sub-Committee met last night to prepare a press statement. Urgent efforts were made, mainly through Hill, Assistant Secretary of State for Congressional Relations, to stop the issue of a statement. The sequence of ensuing events seems to have been that the statement was telephoned this morning to news offices by the Sub-Committee, and, according to the A.P. ticker report, "shortly thereafter staff members had called back to say that Senator Eastland had directed that it be withdrawn." The Sub-Committee, however, was not able to (or in any event, did not) stop INS and the *Chicago Tribune* from carrying the statement. We have received the text through the good offices of the State Department.

2. Text Begins:

The State Department did not and could not disclaim the action of the Senate Internal Security Sub-Committee in releasing the testimony relative to John K. Emmerson (Counselor of the U.S. Embassy in Beirut, Lebanon) and Ambassador Norman.

The truth is, that before the testimony which contains reference to Ambassador Norman was released the transcript was cleared for publication by the State Department. The release was then approved by every member of the Sub-Committee except one Senator who was ill.

The facts are, further, that shortly thereafter the State Department, which has access to the security agencies, which we do not have, was asked by us to verify from the Federal Bureau of Investigation the truth and the accuracy of the Sub-Committee's information and evidence concerning Norman.

The State Department informed the Sub-Committee that it had already checked with the Federal Bureau of Investigation and had corroborated the truth and accuracy of the Sub-Committee's information and evidence.

The Internal Security Sub-Committee is conscious of its duties and obligations to the Senate and to the American people. The Sub-Committee shall at all times conduct its responsibilities in this light. Text Ends.

3. Lincoln White, State Department press officer, was subjected today to a barrage of questions, and our information on what was said is, at the moment, incomplete. From the A.P. ticker it appears that the State Department spokesman "replied with an emphatic 'no' today when asked whether the Department ever had given the Senate Internal Security Sub-Committee any Secret security data on Canadian diplomat E. Herbert Norman." In addition, White is reported by A.P. ticker to have "said Robert F. Cartwright, the Department's Deputy Security Chief, never approved publication by the Sub-Committee of any derogatory information about Norman; related that Eastland rejected an appeal from Under Secretary of State Christian Herter to withhold publicity about the allegations against Norman."

4. Lister of the State Department took the initiative in telephoning us to give us the text of the line taken by White in answering press queries as to the responsibility of the security officer of the State Department for clearance of the Emmerson testimony. We understand from Lister that White's brief on this point was on the following lines: Text Begins:

There is apparently a misunderstanding on this point. The Department's understanding of the facts are as follows:

A representative of the State Department's Bureau of Security and Consular Affairs, who was present at the hearings, did indicate that the State Department would have no objections to the public release of the testimony of Mr. Emmerson, a State Department employee. Mr. Emmerson's testimony contained no adverse references to any Canadian official. Apparently the Sub-Committee interpreted this comment as meaning that the State Department had no objection to the release of the entire transcript which included derogatory information about a Canadian official which had been introduced into the record by the Sub-Committee itself. Text Ends.

5. As you will be aware, these statements and counter-statements leave open a good many questions. We think, however, it would be advisable to let the dust settle a bit before seeking from the State Department the answers to some of these questions, and to see what is published before making our inquiries.

6. Senator Green has issued a further strong statement about the Sub-Committee's "interference in the affairs of a foreign government", the text of which will be forwarded as soon as possible.

[A.D.P.] HEENEY

68. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 829 Washington, April 12, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Our Tel. 866 of April 11, 1957.

STATEMENTS MADE TO THE PRESS BY SENATE INTERNAL SECURITY SUB-COMMITTEE AND BY STATE DEPARTMENT

We called on Lister of the State Department this morning to check on yesterday's developments. He referred at the beginning to E.W. Kenworthy's story in today's *New York Times* under the heading "Norman Case Data Traced to Army Intelligence Corps". The first four paragraphs of this article are repeated in my immediately following telegram.†

2. We raised in particular the question of the responsibility, of the State Department security officer who is alleged to have cleared the first hearings. Lister said that, from the two statements made yesterday on behalf of the Sub-Committee and by the State Department (reported in my telegram under reference), the record was clear that despite the Sub-Committee's charge that the transcript was cleared for publication by the State Department, the facts were that the State Department security officer in question had indicated only that the State Department would have no objections to the release of the testimony of Emmerson, and that this was wrongly interpreted by the Sub-Committee as meaning that the State Department had no objection to the release of the entire transcript. Although this is the public position of the State Department, it is hardly a satisfactory explanation.

3. The second point which we were anxious to pursue was the statement in the Sub-Committee's release of yesterday with reference to the "security report" that the State Department had informed the Sub-Committee "that it had already checked with the FBI and had corroborated the truth and accuracy of the Sub-Committee evidence". Lister said that the facts were as follows: Immediately after the publication of the first hearing, and before our protest of March 18th three State Department officials, including himself, had met informally with Morris and urged again that there should be no publication of material concerning this Canadian official, stressing the adverse effect on Canadian-American relations which further action would have. In these discussions, Morris had raised the question whether the State Department had checked whether the reports available to the Sub-Committee represented the same kind of evidence available to the State Department through the FBI. After checking, the State Department security officer was said to have indicated that the material available to the State Department from its security sources contained allegations and information of a similar type. Lister said this was a far cry from a corroboration by the State Department of the truth or accuracy of the Sub-Committee's "evidence".

4. In dealing with this second aspect through its official spokesman yesterday, the State Department considered that it would have been difficult to make a long and detailed statement revealing the relationships between the State Department and United States government security agencies. In order not to become involved in a public wrangle with the Committee over points of information and so-called "evidence", particularly on charges

made in a Sub-Committee statement which they had sought to withdraw, it had been decided not to take up this question frontally. White's briefing was to the effect that on this point he was to say that it was not appropriate for the State Department to comment publicly on its relationships with security agencies of the government.

5. This, as I am sure you will agree, is a pretty murky field, but you will wish to have Lister's indication of what lay behind yesterday's public statements and counter-statements.

6. We enquired again about the Tsuru testimony. Lister said that as far as he was aware, there were two public hearings, and that while the Sub-Committee has produced its own "internal" working document, the normal practice was to hold up publication until the end of the year. The State Department hopes to obtain informally, and on a loan basis, the summary of these two hearings which, he pointed out, might or might not become the final version.

7. We have told Lister that we have seen partial excerpts from an internal document of the Sub-Committee relating to the Tsuru hearings (see our tel. no. 838 of April 10†), and he is making efforts to get full copies for us.

8. One final point which he raised privately, and which you will wish to check with the records, is the extent to which, following our representations in 1951, an actual and firm assurance was received from the State Department. His reading of the record was that although the Executive had been anxious and willing to do everything in its power to meet our original request, our earlier discussions had been on an oral basis, and the Senate Sub-Committee had not in the past made it possible for the State Department to give us an unqualified assurance. From our incomplete records here, it would appear that the final position of the Sub-Committee was summarized orally for us by the State Department and reported in our WA3202 of August 24, 1951. Our records, however, are incomplete, and you may wish to check this point carefully in Ottawa.

9. Finally, we wish to draw your attention to the important problem of how you would wish us to deal with further press enquiries on this case here. The press corps has shown an enormous interest in the details of the case, and, for the most part, have based their stories on the only "evidence" available to them, which is the Sub-Committee's transcripts. In search of further background, and often in order to rebut some of the charges against Norman, they have been pressing us for information and details which we are not here in a position to give. There have also been requests for information, which we are not meeting, as to our security procedures in Canada. We are trying to hold the line on the basis of our own published statements on this case, and without entering into the rebuttal of individual charges and accusations.

10. This is necessary in any event because of the incompleteness of our records, apart from other considerations. You will however wish to give serious thought from a policy point of view to the question of whether it would be possible and useful to prepare in Ottawa a rebuttal of some of the more obvious allegations concerning Norman, as these have appeared in the Sub-Committee's testimony. If you decide that something of this kind can be done, we would, of course, wish to be kept fully and promptly briefed here, so that we can be as much help as possible. On the other hand, you may consider that our best course would be to avoid a continuous public exchange with the Sub-Committee on their individual charges.

[A.D.P.] HEENEY

69. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 904 Washington, April 16, 1957

CONFIDENTIAL. PRIORITY.
Reference: Our Tel. 879 of April 12.

REPERCUSSIONS OF THE NORMAN CASE

Following for Léger. Following the debate in the House of Commons on Friday (April 12), there are indications that, in relation to opinion in the United States, we are now entering an even more difficult phase. In the absence of detailed refutation of the charges made in the sub-Committee and repeated in sections of the USA press, there is now likely to be a growing tendency here to take the line that they have more substance than has yet been admitted by Canada. Lawrence's column in *The Washington Star* last evening, April 15, and Sokolsky's piece in *The Washington Post and Times Herald* this morning (referred to in para 3 below) indicate the nature of our apprehensions. Press comments in Canada following the Parliamentary discussion on Friday will tend to stimulate the energetic behind-the-scenes activities of the sub-Committee Counsel. This development, with the unaggressive position taken by the Executive Branch, is likely to reduce to the vanishing point the prospect of the Congress itself doing anything to achieve more responsible procedures in the future.

2. The central issue, between the two governments, is essentially the procedural one, viz., that there is an obligation on the Executive and on Congress to use the confidential diplomatic channel for communicating to the Canadian Government information which arises in Congressional hearings about Canadians. At the same time, so far as the case of Herbert Norman is concerned, we are likely to find a widening area of public doubt and critical comment which will increase in the absence of specific rebuttal.

3. David Lawrence's article is headed "Questions on the Norman Case". In it Lawrence writes "that it now turns out that there is a great deal of doubt as to what was really covered by the Canadian Government's denial as uttered by the Secretary of State for External Affairs" (the reference is to your statement of April 12), and that "the mystery is as big as ever". After repeating in full the exchanges with Mr. Diefenbaker in the House, Lawrence goes on to repeat a number of old charges. The relevant excerpt from his article is contained in my telegram 905.† Sokolsky in a less dangerous and looser piece characterizes the Minister as "anti-American".

4. In paras. 9 and 10 of my telegram under reference, the question of counter-measures was raised. In addition to the enquiries from the press and public which we are receiving here, we have had similar requests from some of the Consular missions for background information which could be used, if not in contacts with the press, at least in private discussions. We are also receiving a considerable volume of letters at the Embassy. For the most part, they are in the nature of expressions of opinion, and our view here is that no reply is required, but since you will be receiving even a greater volume in Ottawa, it would be helpful to have an indication of your attitude and practice.

5. In addition to our present conclusion that the turn may be away from the general support of the Canadian position evident at the outset of this crisis, there is the possibility that the Senate consideration of the nomination of Scott McLeod will provide a further occasion not only for McLeod's critics to express their views, but for his supporters to point to the Norman case as a positive achievement in the field of internal security.

6. I thought you should have our assessment of the immediate prospects as a basis for considering the problems posed in paras 9 and 10 of our telegram 879.

[A.D.P.] HEENEY

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70. DEA/27-3-12

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DS-96 Ottawa, April 16, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Your Tel 879 Apr 12.

FURTHER TESTIMONY CONCERNING A CANADIAN OFFICIAL

Since you have now mentioned the possibility of an additional Canadian name being published directly or indirectly by the Subcommittee I believe it would be wise to approach the State Department and tell them if there are to be any more names which have not already been mentioned publicly that the info about them should be passed in confidence to the Canadian Government to be dealt with here in Canada in accordance with the requests we have made in the past. We would also expect that the Subcommittee would not publish the name or names although we realize that the so-called "internal" working document is already in the hands of the press.

2. We think that an approach of this kind is consistent with the stand we have taken with the USA Government since 1951 although we have never asked or received as firm an assurance as we requested in our latest Note last week. We should be interested to hear the results of your approach to the State Department. With reference to your paragraph 9 on relations with the press you should stand on the statements made by the Minister in the House including that made last Friday.

[L.B.] PEARSON

71. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 923 Washington, April 17, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Your Tel. DS96 of April 16.

FURTHER TESTIMONY CONCERNING A CANADIAN OFFICIAL

Following for the Minister and Under-Secretary Only: Following our telephone conversation at noon today, I called on Robert Murphy, Deputy Under Secretary, primarily to deal with the specific request in the Department's telegram under reference. Lister of B.N.A. was also present.

2. I told Murphy (as we had indicated earlier to Lister) that we had heard through individual Canadian correspondents of the existence of an "internal" document of the Internal Security Sub-Committee which, in its sections dealing with the Tsuru hearings, contained references to a Canadian official. So far as we were aware, these references had not been made public, but the possibility of their being published directly or indirectly by the Sub-Committee made it necessary for us to indicate that we would expect that the Sub-Committee would not publish this name, or the names of any other Canadians, and that if there are any further names which have not already been mentioned publicly, the information about them should be passed in confidence to the Canadian Government to be dealt with in Canada in accordance with the requests which we have made repeatedly. This was the procedure referred to most recently in paras 2 and 3 of our note of April 10.

3. In making this point with specific reference to the name of the Canadian official mentioned in the Tsuru testimony, I made it clear that this request did not affect the view previously transmitted to the State Department that so far as your own name is concerned, you would not wish me to take any action to suggest that the State Department should take any steps or make any effort to suppress these old allegations. In so doing, I drew attention to the fact that I had made this point earlier (see para 4 of my telegram 835 of April 9).

4. Lister said that on the first assurance requested in our note of April 10, concerning the general procedure to be followed in future, the moment was not opportune to press the sub-Committee, and he thought that the chances of obtaining a reasonably satisfactory assurance on this point (which of course affects directly the State Department's reply to our note of April 10) would be improved by waiting a few days. Both Murphy and Lister agreed, however, that our request with reference to the specific case arising out of the Tsuru hearings would be brought by the State Department to the attention of the Sub-Committee as a matter of urgency.

5. I also took the occasion to suggest that the State Department should send us as soon as possible at least an interim reply to our note of April 10 in as forthcoming terms as possi-

ble. Murphy indicated that this was in the mill, and that he hopes to be able to give us something today or tomorrow.[65]

6. Both Murphy and Lister were concerned at the possibility of the Norman case and its repercussions becoming an electoral issue in Canada, with the consequence that the fires of controversy would be fed down here. I told them frankly that it was already a matter of serious public controversy in Canada which made it all the more important for the USA Administration to move as quickly and effectively as possible to obtain a reasonable solution of their problems with the Senate Sub-Committee.

7. Subsequently I said to Murphy that, if necessary, you wished to be in a position to use publicly all material made available to the Canadian authorities through security channels concerning Canadians mentioned in Sub-Committee proceedings. You had already made this request through the usual route with respect to the Bentley testimony. There may be difficulty in obtaining compliance with the former more general request.

[A.D.P.] HEENEY

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72. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in Unites States
to Secretary of State for External Affairs

TELEGRAM 969 Washington, April 25, 1957

SECRET. PRIORITY.

CANADIAN NOTE OF APRIL 10 RE EXCHANGE OF SECURITY INFORMATION

At the request of Lister, Deputy Director, BNA, we called at the State Department this afternoon so that he might raise on an informal basis one or two questions which have arisen in the course of their consultations with other Executive agencies here on the preparation of a reply to the Canadian Note of April 10 regarding the exchange of security information.

2. Lister said that in their own minds they had divided the Canadian note into two main parts: the first dealing with the complaint against the Internal Security Sub-Committee, and the request that names of Canadians referred to in proceedings should not first be made known to the Canadian Government through the press, but should be dealt with in confidence between the two Governments. The second part of the Canadian note relates to the assurances required in connection with the reciprocal exchange of security information, as set forth in the penultimate part of the Note of April 10.

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[65] Le département d'État a communiqué une réponse provisoire à l'ambassade du Canada le 18 avril 1957. Cette note a convaincu Heeney que le point de vue du Canada recevait une «serious attention» et qu'il serait «pursued vigorously». Voir United States, Department of State, *Bulletin*, Volume XXXVII, No. 949, September 2, 1957, p. 389.

The State Department delivered an interim reply to the Canadian Embassy on April 18, 1957. This note assured Heeney that Canadian views were receiving "serious attention" and would be "pursued vigorously". See United States, Department of State *Bulletin*, Volume XXXVII, No. 949, September 2, 1957, p. 389.

3. Referring to the second part of the Note, Lister said that preliminary consultations with the security agencies here and with other executive agencies concerned underlined the wide area covered in the reciprocal exchange of security information between agencies of the two governments; for example, the Office of Naval Intelligence and the Coast Guard had some responsibilities in the provision of information affecting Canadian Seamen inter alia to ship owners. (Immigration exchanges are presumably another field). There was also the fact that a number of agencies employed a wide definition of "security information" to include any information of a classified character. Lister said that he assumed that our request related only to information concerning Canadian citizens provided by the Canadian Government in which the question of Communist or subversive leanings was actually involved, and not security information in the wider sense he had mentioned. In this event, he indicated that the present arrangements, for example between the R.C.M.P. and the F.B.I., to the best of his knowledge already made careful provision for the safeguarding of this information on the lines requested.

4. Secondly, he said that in these preliminary discussions the question had been raised as to whether by the request that the expressed consent of the Canadian Government should be given in each case, we intended to modify the existing established security channels for the exchange of such information, and for the obtaining of any specific clearances with respect to its use. He thought that any effort to transfer these channels to the State Department level would only create unnecessary difficulties, and raise real problems.

5. We said in reply that while we would seek clarification, our understanding was that the penultimate part of our Note referred to security information in the narrow sense that he had mentioned. Furthermore, we said that we were sure that you were, as we had indicated earlier, anxious that the existing close day-to-day co-operation between the security agencies of the two countries continue, and that these would, of course, continue to be the normal channels for the reciprocal exchange of this information, and for implementing any safeguards required in its use. Presumably the reply could reaffirm the basic principle. Lister summed up by saying that in this part of their reply it might not be possible to go beyond a re-affirmation of what he understood to be the present practice.

6. On the first part of the Note, which we observed was of substantial importance to us, Lister said that he could not give an indication at this stage of the character of their reply. He referred again to the constitutional problem, and commented wryly that if the State Department were to make the flat statement in reply to us that the Sub-Committee would not be permitted to publish Canadian names, this might only have the unfortunate effect of stimulating them to stick to their prerogatives. At the same time, we inferred that the State Department at high levels is pressing its efforts with senior Senators to see that in practice the recent unfortunate developments do not recur. Therefore, while it may be that no definitive assurances may be forthcoming on this point, the State Department clearly expect that in practice the Sub-Committee will mend its ways.

7. I am sure you will share Lister's concern on the exchange of "security information" that any further steps open to the State Department should retain the present close working relationships between security agencies of the two governments, and that a satisfactory reply, particularly on the exchange of security information, can best be made in the light of the clarifications he has requested. We will meet with him again as soon as your comments have been received.

[A.D.P.] HEENEY

73. DEA/27-3-12

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DS-131 Ottawa, April 29, 1957

SECRET
Reference: Your Tel 969 Apr 25.

CANADIAN NOTE OF APR 10 RE EXCHANGE OF SECURITY INFO

1. Your paragraph 3. Would you inform Lister that he is quite right in saying that we are concerned in the Note only with security info concerning Canadians provided by the Canadian Government or any of its agencies. This type of info is only concerned with persons about whom there is evidence or suspicion of Communist or subversive leanings. We are not concerned in the Note with security info in the wider sense, e.g. general intelligence info or classified material.

2. While we agree in general that the RCMP and FBI are careful about safeguarding this info the problem of passing such info to the legislative branch arises in our view primarily from the passing of such info from the FBI or possibly USA immigration with whom the RCMP have an agreement, to other executive agencies and thence to the legislative branch. By way of illustration you might point out to Lister as indeed I believe you have done already that we are now satisfied that the now well publicized February 1950 report in the Norman case was passed to G-2 and thence by some unknown means to the Subcommittee. In this respect we are now in some difficulty because it appears that the *New York Times* knows more than we do. The *New York Times* of April 19 in a news report datelined Washington April 18, which follows on Tania Long's report, states that on November 1, 1950 Hoover sent a report on Norman to General Bolling, the then Head of G-2, and that this contained info supplied by the RCMP. It would appear fairly clear that the security memo from which Morris quoted in the Subcommittee was a G-2 memo containing this info. This is the type of thing we intend to guard against and about which we wish an assurance and we should incidentally be glad to have any detailed explanation which Lister could give us. It would be helpful if they were prepared to give us a copy of the Canadian info in it or at least let us have sight of the report from which Morris quoted. What we would like to have is a general assurance that no executive branch of government would pass info on to the public or to the legislative branch without our specific consent.

3. With respect to the channels through which our consent might be obtained in each case we suggest tentatively that it might be satisfactory if the question of clearance was first raised through the agencies with which the RCMP have direct dealings namely the FBI and the security branch of the Immigration and Naturalization Service. We might give the Canadian Government's reply through this channel. On the other hand if the matter were to be an issue between the two governments, the State Department would have to be brought in as would you; and indeed even if we agreed to the release of info surely the State Department would have to know in any event. We would however be glad to meet their administrative difficulties as best we can, bearing in mind what we are trying to prevent.

4. Will you assure Lister that we have no desire whatsoever to alter the present close working relationships between the security agencies of the two governments or indeed to

restrict the legitimate flow of security info which is in both our interests. On the other hand we have a duty to prevent such info leaking or being given to the Legislative Branch.

5. Your paragraph 6. With respect to the Subcommittee itself publishing Canadian names we can do no more than impress as we have on the State Department the necessity of giving us a satisfactory practical answer. We are quite adamant that the practice should cease. As you know (and this for your info only) the answer to the problem is a political one. Presidents in the past have many times taken political action within their own party, which has been effective and has little to do with the constitution, but is often the only way to make government in the USA reasonably orderly.

6. Your telegram 934 April 18.† I agree with the line you took with Dulles. We would prefer a satisfactory reply even in a week or two rather than a hastily prepared one now.

7. So far as the release to *Time* by the Subcommittee of the Tsuru story is concerned, I think it advisable not to make a new specific complaint. When you next talk to the State Department about the substance of this telegram, however, I suggest you use this latest incident as yet another example of why we must have a satisfactory practical answer to our Note of April 10 or else we will have to reserve our right to take action in regard to the release of security info in the future.

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74. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1021 Washington, April 30, 1957

SECRET

Reference: Your Telegram DS131 of April 29.

CANADIAN NOTE OF APRIL 10 RE EXCHANGE OF SECURITY INFORMATION

The clarifications and supplementary information in your telegram have been given orally to Lister. He said that this information will be helpful in their further consultations with the other executive departments and agencies concerned.

2. During our call on Lister, he remarked that while he thought they would probably be able to give us a substantial reply within the next week or so dealing fairly satisfactorily with the second of the two points in our Note, they were having great trouble in attempting to deal at all formally with the first point (i.e., the publication by Congressional Committees of Canadian names derived from non-Canadian sources). This latter question had been discussed with the Congressional Relations people at some length and had been examined by Secretary Dulles before his departure for Bonn. Lister's impression from these various discussions was that the first point in our Note might be omitted entirely from any reply given to us within the next week or so or might merely be mentioned with an indication that it would be dealt with in a separate communication at a later date. If, of course, nothing was said about the point in the reply, the State Department would undoubtedly explain the position to us orally, much as they had done in 1952. Lister asked us for our personal opinion on the course which should be followed. We said that while the first point was one about which the Canadian Government was able to do less than it could about the second

point, it was not for that reason considered by the Canadian authorities to be any less important. We referred again to the matter mentioned in your para. 7 as an illustration of the kind of happening in this category which could have serious consequences and which both of us should be anxious to prevent. We said we thought that the omission from their reply of any reference to the first point would seem rather strange and would provoke considerable public criticism in Canada. We also doubted that it would be wise merely to indicate in the initial reply that the first point would be dealt with later. There might be some puzzlement as to why the answer on this point was being delayed and an excessive amount of attention might be drawn to the reply if and when it is eventually made. On balance, our personal opinion was that it would be best to have the one reply deal as satisfactorily as possible with both points.

3. Lister appreciated our comments but still foresaw serious obstacles to the course which we favoured. He indicated that before any reply is made to our Note he will discuss the matter further with us.

[A.D.P.] HEENEY

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75. DEA/50303-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1226 Washington, May 24, 1957

TOP SECRET. OPIMMEDIATE.
Reference: Our tel 1216 May 24.†
For Minister and Under-Secretary.

REPLY TO NOTE CONCERNING EXCHANGE OF PERSONNEL SECURITY INFO

We have now been shown privately and confidentially the present text of the draft USA reply. This text has been pretty thoroughly cleared and was this morning approved by Under-Secretary Herter. It is not certain whether Secretary Dulles' formal approval will be considered necessary as the substance of it has been discussed fully with him by the Under-Secretary already. The only other step which apparently is planned within the USA Government is to inform certain congressional leaders of the proposed lines of the final reply in order to lessen the likelihood of their taking umbrage when the text is published.

2. Although we were not given a copy of the Note, our examination of it enables us to report more exactly on its contents than we were able to do this morning on the basis of the rather imprecise hints by Murphy and Lister.

3. The opening paragraph of the Note, which deals with our representations concerning the publication of Canadian names by the Subcommittee, refrains from delivering the expected lecture on the independence of the legislative branch. It merely refers to our request and indicates that our views have been communicated to and discussed with those concerned in the Congress. It adds that in doing so the State Department emphasized the importance which it attaches to the friendliest relations with Canada. The paragraph concludes with the statement that this appreciation of the importance of relations with Canada is also "entertained by the Congress".

4. The next paragraph refers to our request concerning the handling of info about Canadians communicated to the Executive Branch by the Canadian authorities. It indicates that the assurances sought by us are consistent with the present practice. It observes that among the security agencies of the USA Government the principle is accepted that an agency receiving info is not free to communicate it to others without the approval of the "originating agency". It then remarks that the State Department "understands" that the same principle applies to the exchange of info between Canadian and USA agencies.

5. The Note concludes with a paragraph on the importance which the continued exchange of this kind of info has had and will have for the security of both countries. It observes finally that this is one of the many fields in which friendly cooperation between Canada and the USA is of great value.

6. When we were shown this text, we were invited to let the State Department have very informally this afternoon or tomorrow morning any comments which we might wish to make on:

(a) Contents of the Note (on which we doubt that the State Department would be very receptive to suggestions at this stage in view of the process through which this text has gone);

(b) The timing of the reply (on which the State Department officials concerned recognize that we might or might not think it appropriate for us to offer very definite advice in view of their own familiarity with the situation both here and in Canada and in view of the interpretation which might be given to such advice from us); and

(c) The publicity to be given to the Note (by either the USA or Canadian Governments or by both).

7. The official with whom we talked indicated that in the ordinary course (and especially in the absence of contrary advice from us), he personally would expect the State Department to send its reply to us not later than the first half of next week.

[N.A.] ROBERTSON

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76. DEA/27-3-12

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1228 Washington, May 25, 1957

TOP SECRET. OPIMMEDIATE.
Reference: Our telegram No. 1226 of May 24.
For Minister and Under-Secretary.

REPLY TO NOTE CONCERNING EXCHANGE OF PERSONNEL SECURITY INFORMATION

It is difficult for me to comment on the substance of the proposed US reply. It would be easy enough to pick flaws in it since it is not by any means fully responsive to the two main requests made in our Note. However unsatisfactory we may find this reply, I am satisfied it is about the best we can get now and it is probably as good as we would be likely to receive even if it were to be delayed for some time.

2. In expressing this opinion I have very much in mind what the President said to me about the difficulties involved in working the political system here. In some circumstances I suppose it is conceivable that the President might be prepared to engage in a real battle over the kinds of constitutional questions raised by our requests and particularly by the one relating to the conduct of Congressional Committees. In the present situation, when relations between Congress and the Executive are rather strained and when difficulties are being experienced on major parts of the Administration's programme (including the Budget itself) I cannot imagine President Eisenhower joining issue with Congress on these security and human rights matters, even though he may personally feel quite strongly about them.

3. In this context I would see little point in our suggesting specific draft changes which could hardly affect the substance of the US reply or, if they did, could scarcely be accepted by the Administration. As we have not been consulted on the content of the reply (although we have been given an informal indication of its contents), any absence of comment from us could not reasonably be interpreted as meaning that we would be satisfied to receive the kind of reply contemplated.

4. We have seen the State Department official concerned this morning and have spoken with him on the following lines:

(a) In the event that the final reply is the same as that which had been shown to us privately, we personally would not be surprised if it were regarded by the Canadian Government and public as much less than a satisfactory answer to either of the requests we had made. On the first point, concerning Sub Committee procedure, our views had been consistent, and had been made known on several occasions since 1951. The proposed reply did not indicate specifically either that our request would be met, or that the Executive branch agreed with our position (although we understand that they do in fact). On this point, the conclusion could be drawn that our long-standing requests had not been met.

On the second point concerning the exchange of security information, we regretted that the assurances we sought had not been couched in unequivocal terms, although it could be argued that such assurances were implicit in the text.

(b) The absence of any specific comments from us on the basis of this "private showing" should not be interpreted as meaning that we would be quite happy to receive a reply on the lines contemplated.

(c) The timing of the US reply must be left to their own judgement.

(d) In transmitting their reply they should realise that it may create a situation in which the release of the material which has been under discussion between the RCMP and the FBI would become imperative and presumably the State Department will be working actively on this problem between now and the date upon which their reply to our Note is presented.

(e) We would hope that at least 24 hours would be allowed between submission of the note (which we assumed would not bear a security classification) and its publication in order to enable us to get the text in advance to the Minister and Prime Minister wherever they may be in Canada at that time.

5. Although, as indicated above, we were anxious to avoid getting involved in commenting on (and thereby blessing) a text which had merely been shown to us, we did suggest very personally to the State Department official that:

(a) In the portion of the Note described in paragraph 4 of our telegram 1226 the assurances might be made rather more explicit. For example, after the sentence indicating that the assurances sought by us concerning material of Canadian origin are consistent with present, past and future practice, it might be well to add a sentence to the effect that the US government is therefore in a position to accede to our request for such assurances; and

(b) some provision might be made for further consultations or discussions on these matters in order to avoid the impression that the US Note constituted a final and comprehensive reply and nothing else remains to be done. We thought this might be accomplished without offending the security agencies if after the remark about a similar principle (i.e., the "third agency" principle) applying to exchange of information between Canada and the United States, a sentence were to be inserted to the effect that: as has been the practice in the past, the appropriate authorities of the two governments will continue to consult together concerning mutually satisfactory arrangements for the reciprocal exchange of security information between them.

6. The State Department official seemed willing at least to explore these two possibilities and it is just possible that one or both of them may get into the final text.

7. Our expectation is that in the circumstances, the US reply will be delivered some time during the first part of next week.

[N.A.] ROBERTSON

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77. DFAIT/29-7-2-USA-NORMAN

Note du ministre de l'ambassade aux États-Unis pour l'ambassadeur aux États-Unis

Memorandum from Minister, Embassy in United States to Ambassador in Unites States

SECRET Washington, May 27, 1957

Following your visit to Elbrick, I spoke briefly with Lister earlier this afternoon, to tell him that we attached real importance to the inclusion of some appropriate sentence in the reply referring to continuing consultation as a means of turning off the exchange of public statements in this delicate field of the exchange of security information. Lister at that time was inclined to think, in view of the attitude previously taken by the security agencies, that the incorporation of such a change in the draft now agreed might mean that the reply would be delayed until after the election.

2. Following your discussion with Mr. Léger, I telephoned him to say that the Minister had been sounded out on the views which we had expressed on a personal basis, and that his own view was that the inclusion of such a sentence providing for continuing consultation was a matter to which he attached importance. The Minister thought that this would assist the reception of the U.S. note in Canada, and would help considerably towards ending the public exchanges. I added that I thought this was true of both countries, and expressed the hope that this indication of the Minister's view would help the State Department in the preparation of a satisfactory reply.

3. I also added personally that I saw no reason why the State Department should not be able to obtain the concurrence of the security agencies on this point, which was sensible, and which it was clearly in the common interest to include. Lister expressed his appreciation for this information and hoped to have a meeting with the people concerned tomorrow.

S.F. RAE

78. DEA/50303-40

Note du chef de la 2^{ième} Direction de liaison avec la Défense

Memorandum by Head, Defence Liaison (2) Division

SECRET [Ottawa], May 29, 1957

Mr. Rae informed me on May 28 that he had again called on the State Department who had let him know what their reaction was to Mr. Robertson's suggestions for the revision of the U.S. reply to our note of April 10. He told me that the U.S. were impressed by the second point which Mr. Robertson made, namely, that there should be some reference to further consultation on procedures for the exchange of information and that they thought this might be worked into their reply. They were more dubious about the first. Mr. Rae told them that we attached importance to both. Mr. Rae was told that as a result the note would be revised and would have to be circulated again to interested agencies in Washington and that, in the light of this, we could not expect to receive it before the middle of June.

2. I reported this conversation to Mr. Léger on the same day. Mr. Léger thought it important that no impression should get about that the delay was due to the Canadian request for revision. He accordingly consulted the Minister who confirmed that it was his view that the note should not be held up because of our request. It must be made clear to them that it was up to them and it was their responsibility if they wished to delay the answer further. Mr. Léger conveyed this view to Mr. Robertson this morning and he was asked to make this position clear to the State Department; if they continue to hold it up, the State Department should be willing to say publicly, if requested, that they are still consulting in Washington. It should also be made clear to the State Department that it was a matter for the State Department if they wished to pursue the point which we had made. Mr. Robertson will be reporting by telegram the results of his further conversation. Mr. Robertson added that he thinks the United States Embassy in Ottawa has been advising the State Department to hold up delivery of the reply until after the election. Mr. Léger commented that this was satisfactory provided it was clear that this was the decision by the United States Government and not one which had been requested by the Canadian Government.

3. Mr. Léger suggested that I should prepare a memorandum for the Prime Minister at the end of this week giving a further report.[66]

G.G. C[REAN]

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[66] Note marginale :/Marginal note:

Mr. Robertson subsequently reported by phone & stated U.S. authorities clearly understood our position. G.G. C[rean]

SECTION C

ALERTES
ALERTS

79. DEA/50030-AB-4-40

Le sous-secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Under-Secretary of State for External Affairs
to High Commissioner in United Kingdom

TOP SECRET Ottawa, January 3, 1956

Dear Mr. Robertson,

ALERTS PROCEDURES

The purpose of this letter is to bring up-to-date the information which has been sent to you on the question of alerts procedures.

2. As your know, Mr. Heeney called on the Secretary of State on April 29. His visit followed shortly after one by the United Kingdom Chargé d'Affaires. He left with Mr. Dulles an informal memorandum outlining the points in paragraph 5 of telegram No. EX-743 of April 22 to Washington, which went to you as telegram No. 664.[67] These were that there had been some preliminary discussion of the subject of alerts procedures between Mr. Pearson and representatives of the U.K. Government at the Commonwealth Prime Ministers' meetings; that the Canadian Government attached importance to reaching tripartite agreement on the matter; that we were aware of the U.K. working paper;[68] and that it seemed to us, from what we knew of it, that it might serve as a point of departure for further discussion on a tripartite basis.

3. Mr. Dulles raised no objection in principle, and it was left that our Embassy in Washington would have some further consultation with officers of the State Department after the question had been examined more fully by them.

4. There the matter rested, officially, until quite recently. Unofficially, we heard from a variety of sources that the tripartite proposal was being opposed by several interested agencies of the U.S. Government, in particular by some sections of the Pentagon and by the Intelligence Advisory Committee of the National Security Council.

5. Nevertheless, on November 18 the State Department called in Mr. Glazebrook and handed him an Aide-Mémoire[69] (copy attached), dated the same day, stating that "subject to certain general and specific comments, the interested United States agencies see no objection to the procedures outlined in the British Memorandum" and that "the State Department would be happy to explore further with representatives of the Canadian and British Embassies the procedures for political consultation." A similar communication was made to the British Embassy.

6. While at first sight this reply is more encouraging than we had anticipated, a preliminary examination of the Aide-Mémoire here has given rise to a number of questions on

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[67] Voir/See Volume 21, Document 181.
[68] Voir/See Volume 21, Document 169.
[69] Voir/See Volume 21, Document 185.

which, it seems to me, we shall have to seek clarification. Horsey of the State Department in fact anticipated this by telling Glazebrook that the Aide-Mémoire was a composite document, the meaning of which was not entirely clear even to the State Department.

7. The points which occur to us as needing clarification are as follows:

Paragraph 1 of the General Comments

We are not clear what is meant by the phrase "or that of their treaty partners." While we fully expected that the United States Government would reserve its freedom of action to exercise its right of self defence, this phrase might be taken to mean that it was free to take action involving its treaty partners without consultation. On the other hand, it may merely be an indirect reference to the wording of Article 5 of the North Atlantic Treaty.

Paragraph 2 of the General Comments

The Aide-Mémoire states that the procedures outlined in the U.K. paper should be regarded as "exceptional". While we would agree that the proposed procedures are supplementary to existing NATO Alerts Procedures, as the Aide-Mémoire suggests, we think there may be some difficulty in determining the criterion whereby these special procedures would come into force, in the light of the next sentence which points out that the procedures would only take effect where "sensitive" information was involved. This may or may not present a problem but we are inclined to think we should seek further clarification.

Paragraph 4 of the General Comments

While we are not inclined to question the flow of intelligence between Washington and Ottawa, we are not satisfied that the present channels are either sufficiently clearly established or expeditious. Although we receive the United States Watch Committee Reports, we do not have direct liaison with that body or with the Indications Centre. If this paragraph means that the United States would exchange no more than current periodic Watch Committee reports, then we do not think that our principal worry is met. As you know, in a period of rising international tension we should like to receive the results of any "crash" meeting of the Watch Committee or the Intelligence Advisory Committee but I do not believe there is any assurance at the moment that we should necessarily do so. So far as speed is concerned, we believe that Ottawa requires a direct line between its J.I.C. organization and whatever central organization the United States authorities choose to nominate, whether this be the Indications Centre, or the Watch Committee or the I.A.C. We believe, therefore, that we should seek clarification as to what the United States authorities would actually do under the terms of paragraph 4, in the event of information being received in Washington which, on examination, might lead them to apprehend a state of war. It may be that the chief problem is a mechanical one but, at the moment, we are a little inclined to doubt it.

Penultimate Paragraph

You will note from the above that we doubt the validity of the second sentence. As to further discussions on the procedures for political consultation, although we are not sure what the United States authorities have in mind, we believe that, in an emergency, some procedures for more direct consultation than through Embassies might be necessary. In any event we consider that there is a requirement for the expeditious exchange of information of a kind which, if examined, might cause any of the three Governments to conclude that there was a possibility of hostilities occurring within the NATO area. The exchange of assessments based on such information is, of course, of equal importance and we are not clear whether the United States Aide-Mémoire envisages procedures between the intelligence authorities which would cover this requirement. If the U.K. authorities agree, we might re-open the intelligence problem through the U.S. invitation to discuss procedures concerning political consultation, on the grounds that political consultation can only work satisfactorily if a satisfactory system of exchanging intelligence is in being.

8. No doubt further questions will occur to you. I should be most grateful to have the U.K. comments on the Aide-Mémoire when you have had a chance to discuss it with Patrick Dean.

9. My own feeling is that we should accept the State Department offer to explore the procedures for political consultations with representatives of the Canadian and British Embassies in Washington. Presumably the stage has now been reached where the talks themselves could be tripartite.

10. The U.K. working paper is, of course, an outline of proposed U.K. procedures, and is not therefore entirely suitable in its present form for use by all three Governments. It seems to me that it would be worth exploring the desirability of adopting a general formula stating the principles for the exchange of intelligence within the context of the stated aim of the U.K. paper and for consequent consultation at all levels including between Ministers. Detailed procedures could, I think, be more easily worked out if these were related to some such general formula. The sort of formula I have in mind would be similar to that mentioned in paragraph 15 below, expanded in the NATO context.

11. Two subjects not dealt with in any detail by the working paper and Aide-Mémoire are "crash" procedures and procedures for non-NATO areas. On "crash" procedures the working paper says:

> "2. This paper sets out the stages which ought to be completed if time allowed. It is recognized that time may not be available for this and that a telescoped procedure will also have to be studied."

Concerning procedures for non-NATO areas the working paper says:

> "Major aggression by the Communist *bloc* is possible in other areas (than NATO) and suitable procedures would be required to meet these cases but it would be convenient to consider them separately."

And the Aide-Mémoire says:

> "5. No decision should be taken at the present time about the possible adaptation of these procedures to other areas of the world."

12. The questi[illegible] "crash" procedures in connection with aggression against the NATO area would, I should think, come up at a fairly early stage. Whether or not it would be possible to lead from discussion of procedures for the NATO area to discussion of procedures for non-NATO areas is difficult to judge at present.

13. I should also like to bring you up-to-date on the question of strategic alerts in relation to the operation of our joint continental air defence system, which we raised in an exploratory way at our most recent meeting of consultation with the Americans on December 5.[70] Our approach to this question, which we are attempting to keep separate from the questions of tripartite and NATO alerts, is outlined in paragraphs 7-10 and the Annex of a memorandum for the Minister, dated November 30, of which a copy is attached.[71] The Americans present agreed that the formula attached to the Annex might serve as a useful basis for further discussions.

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[70] Voir/See Volume 21, Document 307.

[71] Voir/See Volume 21, Document 303.

14. In telegram No. 2044 of December 15† (copy attached), Mr. Heeney has reported on action taken since the meeting of consultation. As you will see, our Embassy has informed the U.K. Embassy of the discussion of continental alerts, in accordance with our normal practice after a meeting of consultation, of which the State Department is fully aware.

15. We have subsequently learned that our Embassy in Washington has given a copy of our formula to the U.K. Embassy. You are therefore at liberty to give a copy of it to Dean.

16. We are most concerned to ensure that the British do not get any idea that, by raising the subject of continental alerts with the Americans, we are attempting to do an "end run" on the tripartite approach. I hope you will be able to satisfy Dean of this, pointing out to him that we have a special bilateral problem of alerts with the United States by reason of our joint air defence arrangements. At the same time, we must be careful to avoid any possibility of the Americans thinking that we are passing on to the British information which they should not have on our joint continental defence arrangements.

17. In replying to Mr. Heeney's telegram No. 2044 (in telegram No. DL-1 of December 30,† copy attached), we have agreed with the proposal that bilateral discussions should commence in Washington in the latter part of January. I do not think that the holding of these discussions before the tripartite discussions need present any difficulties. The bilateral discussions will be related to the special problems connected with the efficient operation of the continental air defence system, including the exchange of information which might lead to political consultation and the alerting of the system.

18. Could you ask Dean whom the U.K. authorities are proposing to send to the tripartite talks? Our own tentative view is that we would like to have the discussions on a J.I.C. level but clearly this will depend on whom the Americans name as their representatives. We would also assume that, if they are on the J.I.C. level, Dean himself would attend, presumably with a service representative.

19. I am inclined to agree with Mr. Heeney's suggestion that no formal reply need be made to the U.S. Aide-Mémoire until the situation is a good deal clearer than at present. I shall keep Mr. Heeney informed of your consultation with the U.K. authorities, and presume that the Foreign Office will likewise inform the U.K. Embassy in Washington.

20. We are hoping to get ahead with this question in the near future and I should be grateful to hear from you as soon as convenient.

JULES LÉGER

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80. DEA/50030-AB-4-40

Le ministre à l'ambassade aux États-Unis
au chef de la 2^{ième} Direction de liaison avec la Défense

Minister, Embassy in United States,
to Head, Defence Liaison (2) Division

TOP SECRET Washington, January 25, 1956

Dear Bill [Crean],

You may well have wondered at the absence of any word from us on the proposed arrangements for discussions of bilateral alerts arrangements. We have tried to ease this subject along but bearing in mind the suggestion in DL-20 of January 8† that we should not press unduly, we have not made a fuss.

2. At about the time when the telegram I have mentioned came I had a word with Outerbridge Horsey and Robert Miner. They expressed doubts as to the possibility of finding in the Pentagon a single officer who could in any way represent the Department of Defense. If, they said, they picked one from one service, the other two services would almost certainly insist on having representatives too. I found also that they were still puzzled by the meaning of our four-point formula and wanted to talk the subject over with Park Armstrong.

3. A few days ago Horsey told me that Armstrong would like to discuss this subject with me and a meeting was arranged yesterday under the aegis of Burke Elbrick (Deputy Assistant Secretary for European Affairs). Horsey was there and also, of course, Armstrong and H.E. Furnas, one of his assistants.

4. Armstrong started off by outlining the present exchange on what he called "alert type" or "indicator" intelligence. He said there were four categories:

(a) *The Watch Committee Reports*. Copies of comprehensive, i.e., all source, reports are made available to Ottawa through Canadian liaison officers as soon as they are printed. He added that the Watch Committee handles all indicator intelligence. It meets at least once a week or more often as required. Its staff maintains a twenty-four hour watch.

(b) *The Joint Air Defence*. The R.C.A.F. officers, he said, in Colorado Springs have access to intelligence. A special telephone line to Canadian Air Defence Command keeps them in touch.

(c) Alert intelligence arising from the radar screen which, of course, is jointly operated.

(d) Exchange of intelligence between NSA and CB.

5. Armstrong then asked if there were any gaps in this exchange and obviously had the impression that we were asking for a more complete exchange of intelligence or that if the exchange was complete our concern was unnecessary. I then attempted to make it clear, as I had attempted in the past, that our enquiry had nothing to do with the normal exchange of intelligence. I said that as far as we know this was entirely satisfactory. We appreciated its extent and had no desire either to criticize it or to suggest that it be more extensive. Obviously all the people at the meeting had been suffering from this misunderstanding. It had, I think, a good deal to do with the earlier confusion in the Intelligence Advisory Committee.

6. I then attempted to explain the formula, trying it backwards for the sake of variety. Turning to point (4), I said that where it was necessary for Ministers to consider alerts they must have the necessary information. That would take you back to point (3) which assumed that the intelligence authorities had the information necessary and that in turn went back to point (2). I said that it might or might not be the case that intelligence items on which the United States intelligence authorities based a recommendation for an alert were already in possession of the Canadian intelligence authorities. Even if they were — and there might be the odd immediate one not yet received — they would have to be identified and put together as a case. Moreover, it was not sufficient to draw attention to raw intelligence but to give interpretations.

7. I then laboured the point which we had discussed in the tripartite context viz., that the essence of this operation is that in a situation where a crisis is believed to exist X (being the person or organization in Washington responsible) should by some means be able to get in touch with Y (the corresponding Canadian person or group) and put his case. The case would be of little use without there being available to both X and Y the essential intelligence and there must presumably be allowed some means by which the meaning of the intelligence case can be mutually examined. I went on to suggest that leaving aside the

normal exchange of intelligence, there did not exist, in our opinion, a defined arrangement by which the United States and Canadian intelligence authorities could quickly correspond on an agreed channel and, where necessary, exchange views.

8. We then begin after this exhaustive and exhausting process to get down to business. Armstrong drew attention to the distinction between the very brief warning that might arise from the radar screen and the longer one which would permit examination. I said that we were well aware of this difference and there might be occasions in which a time interval of two or three hours or even less would not allow for any discussion and that the Air Defence channel alone would have to be used. He then went on to argue that in the case of a longer warning the Watch Committee would meet and appraise the evidence. If it recommended to United States authorities that there should be an alert, this view could at the same time be passed to Ottawa "by the quickest means". I pointed out that the "quickest means" were at the moment uncertain and not necessarily quick. He was talking about "the Canadian liaison officers" by whom, I presume, he meant Uren. I said that in some cases this might work but the crisis might arise in the middle of the night or when Uren was away. Even supposing that he could be found quickly, he had no ready channel of communication, or at least not one fast enough to meet the problem. Armstrong himself added that there was also the problem of certain types of intelligence that could not be transmitted over ordinary channels.

9. The Americans by this time were beginning to see what we were talking about and I suggested that our object was not to argue in favour of any particular mechanism but to make sure that there was a mechanism which was not only approved but was workable. I personally did not believe that the existing bits of machinery could readily be put together to make the necessary whole. But the main thing was to look at the problem bearing in mind the kind of exchange which I had already indicated. It began to look as if the Americans were satisfied to use the IAC (and its creature the Watch Committee) as the authorized American end of the intelligence channel. They also became aware that the mysterious "quickest means" about which they had been talking were not readily identifiable. Armstrong then suggested that he should have a talk with Allen Dulles on the basis of the conversation and, I think, is now in a position to stop arguing about whether or not the exchange of intelligence is adequate and get down to business. Finally, I tossed out the idea that the channel should not only be authorized and defined, but probably tested in the same way that we tested the Wiser channel over a year ago, (and I was careful to remind them that the request for a testing of that channel was made by the Americans who wanted to be sure that it worked).

10. It is proposed as the next step that Armstrong will inform me that he has had his talks with the CIA and is ready to get down to business. I suggested that it would be at that stage that you should appear. However, it seems to be inevitable that the American military be left out of this and in many ways it is desirable that they should be. To bring them in would mean endless comings and goings with the Pentagon, whereas, it may be that a conversation between Park Armstrong and yourself would at least get near an agreed solution. Presumably it follows that you will not bring a service officer with you, or at least that he would not take part in the meeting. I will, of course, let you know as soon as I hear from Armstrong.

11. I am reporting on this in the form of a letter addressed to you partly because of the informality of the discussions and partly because it was virtually impossible to translate it into officialese. I gather that George Ignatieff is also involved in this subject and if he or you have any questions to ask or suggestions to make, I hope you will let me know. I think we have at least identified the bogey man lying behind the United States Aide Mémoire on

the tripartite scheme and if now we can get down to earth on the bilateral plan, there may be some hope of sorting out the tripartite scheme later on.

Yours ever,
G. DE T. GLAZEBROOK

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81. DEA/50030-AB-4-40

Note du chef de la 2ième Direction de liaison avec la Défense pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Defence Liaison (2) Division, to Under-Secretary of State for External Affairs

TOP SECRET [Ottawa], February 23, 1956

MEMORANDUM CONCERNING THE FORMULA PRESENTED BY THE CANADIAN DELEGATION AT THE LAST MEETING OF CONSULTATION IN WASHINGTON CONCERNING THE EXCHANGE OF INFORMATION AND CONSULTATION BETWEEN THE TWO GOVERNMENTS ON THE SUBJECT OF ALERTS

Altogether I saw Mr. Amory of C.I.A. three times and Mr. Armstrong of the State Department twice on the above subject, although at no time did it appear that either of them had talked to each other, a factor which did not make my discussions any easier. I have recorded separately and in detail the first two discussions which I had with Armstrong and Amory on arrival in Washington. These discussions went on much the same lines as Mr. Glazebrook's previous talks and which he recorded in his personal letter to me of January 25. I am attaching the record† of these discussions in case you wish to glance at them although I do not think it is necessary.

2. On seeing Amory a second time he said that it would make the problem very much easier from the Administration's point of view if we could separate out the problem of consultation between governments from the problem of exchanging information during a period of crisis which might lead to a declaration of an Alert by either government. In addition, he said that the question of establishing an intelligence communications link between the National Indications Centre in Washington and our new Indications Room in Ottawa was one which he felt sure could be dealt with by a letter from me as Chairman of the Joint Intelligence Committee to Mr. Allen Dulles, as Chairman of the United States Intelligence Advisory Committee. He regarded this particular problem as one of "nuts and bolts" which should not run into difficulties of principle. I am, accordingly, attaching a draft† which I prepared and presented to Mr. Amory before I left Washington with the request that he let me know if this was the kind of letter which, in his opinion, would be acceptable to the United States intelligence authorities.

3. After further discussions with Mr. Glazebrook, we decided that perhaps it would assist our negotiations further if we prepared drafts† of separate letters dealing with the first two subjects mentioned above. These might be sent from the Canadian Ambassador on behalf of the Canadian Government to the United States Secretary of State. These, of course, only have the status of personal drafts but nonetheless I passed copies to Amory before I left Washington, stressing that they were purely personal. I asked him to pass both drafts on to Armstrong of the State Department. Mr. Amory is to let Mr. Glazebrook know his reactions to these drafts but he did volunteer the quick opinion that he could see no difficulty about the one dealing with the exchange of intelligence.

4. In the course of my last discussion with Mr. Armstrong, he supported the notion of separating these two problems because he said he thought the question of government consultation was the more difficult since he did not consider that the United States Government would be likely to bind itself under any formula which required it to consult another government before taking action itself. As you will see, it took no less than three conversations to bring Armstrong to what now seems to be the main problem.

5. I am attaching the drafts of the separate letters and would be glad to have your initial reactions to them. If they appear acceptable to you, I should suggest that they be not put to the Minister at this stage and that we should wait until we have further U.S. reactions to the drafts. If you agree, however, I shall prepare a letter to General Foulkes enclosing the drafts and copies of the record of my first two conversations. We should, I think, also send him the draft of the letter to Mr. Allen Dulles if you approve, concerning the communications link.

6. For convenience, I am attaching a copy of the "Formula" delivered by the Embassy to the State Department on December 14, 1955 following the Meeting of Consultation.

G.G. CREAN

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82. PCO

Extrait du procès-verbal de la réunion du Comité du Cabinet sur la défense

Extract from Minutes of Meeting of Cabinet Defence Committee

TOP SECRET [Ottawa], April 19, 1956

Present:

The Prime Minister (Mr. St-Laurent), in the Chair,
The Minister of National Defence (Mr. Campney),
The Minister of Defence Production (Mr. Howe),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Finance (Mr. Harris).

The Secretary (Mr. Martin),
The Military Secretary (Captain Lucas).

The Chairman, Chiefs of Staff (General Foulkes),
The Chief of the Air Staff (Air Marshal Slemon),
The Chief of the General Staff (Lieutenant-General Graham),
The Chief of the Naval Staff (Vice Admiral DeWolf).

The Secretary to the Cabinet (Mr. Bryce),
The Deputy Minister of National Defence (Mr. Miller),
The Deputy Minister of Defence Production (Mr. Golden),
The Deputy Under-Secretary of State for External Affairs (Mr. Macdonnell),
The Assistant Deputy Minister of Finance (Mr. Deutsch),
The Assistant Deputy Minister of Finance (Mr. Plumptre).

I. PROCEDURES FOR CONSULTATION ON ALERTS

1. *The Minister of National Defence* said that the question of procedures for alerting the North American air defence system had been under consideration for some time. In order to ensure that the government would be in a position to decide whether an Alert should be called and also be consulted by the U.S. government, some exploratory talks had been held with U.S. officials. It was understood that the U.S. authorities would be likely to view an official approach on this subject favourably at the present time. He submitted two letters which it was proposed be sent to the U.S. Secretary of State. The first was designed to

ensure that both governments would have available all relevant intelligence on a situation which might lead either to declare an Alert. Only if the two were in possession of the same set of facts, and an assessment of those facts, could subsequent consultation be conducted on a realistic basis. The second letter was designed to ensure consultation over the actual question of calling the Alerts. To ensure efficient working of the indications centre of the Joint Intelligence Committee in Ottawa there was a requirement for additional facilities and two or three officers. He recommended, with the concurrence of the Secretary of State for External Affairs, that the two letters be approved and that the requirement for an additional small expenditure for the Joint Intelligence Committee be noted.

An explanatory memorandum had been circulated.

(Memorandum, Minister of National Defence and Secretary of State for External Affairs, April 16, 1956 — Document D1-56†).

2. *During the discussion* the following points emerged:

(a) One of the purposes of the proposed exchanges was to deal with false alarms from the warning lines, should they occur. Of course the main purpose was to ensure adequate consultation before a recommendation was made in either country for the calling of an Alert, which would be a most serious matter.

(b) It was impossible to determine in advance how much consultation would be sufficient before a decision was taken to call an Alert, and it was difficult to work out procedures. However, there was very little that was more important than the actual calling of an Alert and everything should be done to ensure that this step was taken only if the necessity was clearly demonstrated.

(c) The United States proposed to evacuate the principal government activities from Washington on the calling of an Alert. There were in existence now re-location sites outside of the capital for the nucleus of various government departments. The matter related to the whole governmental organization and in no way would the procedure hold up air defence activity since the Air Defence Commanders in both countries now had the necessary authority to alert their own forces in the event of warning of an attack.

3. *The Committee* approved the joint recommendation of the Minister of National Defence and the Secretary of State for External Affairs, and:

(a) agreed that the two letters on procedures for consultation with the United States on Alerts, as submitted, be sent to the U.S. Secretary of State by the Canadian Ambassador in Washington; and

(b) noted that there would be a requirement for an additional small expenditure to ensure the efficient working of the indications centre of the Joint Intelligence Committee.

. . .

83. DEA/50028-BX-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

DESPATCH NO. 682 Washington, May 14, 1956

TOP SECRET

Reference: Your Despatch No. DS-493 of May 4, 1956.†

ALERTS

As requested in your Despatch under reference, I took the opportunity of seeing the Secretary of State on another matter this morning to hand to him copies of the letters on alerts.

2. In doing so I indicated briefly the reason for the Canadian suggestions and explained that the substance of the letters had been examined between United States and Canadian officials. Mr. Dulles did not stop to read the letters at the time, but Mr. Burke Elbrick who was present and who was familiar with the matter will ensure that my approach is followed up.

3. As requested, I am attaching copies of the letters I handed to Mr. Dulles this morning.

A.D.P. HEENEY

[PIÈCE JOINTE 1/ENCLOSURE 1]

L'ambassadeur aux États-Unis
au secrétaire d'État des États-Unis

Ambassador in United States
to Secretary of State of United States

TOP SECRET Washington, May 14, 1956

Dear Mr. Dulles,

Arrangements for consultation, in relation to any requirement for alerting the defences of North America, between the United States and Canadian Governments are proposed in a separate letter dated May 14, 1956. To provide a sound basis for such consultation, it is proposed that the Canadian and United States Governments agree as follows:

(1) The two Governments will keep each other informed on a timely basis when they receive information of a kind which, if examined, might cause either to conclude that there was a likelihood of hostilities occurring in which North America would likely be attacked.

(2) The receipt of such information may require rapid executive action on the part of both Governments. Accordingly, the United States and Canadian intelligence authorities as represented by the United States Intelligence Advisory Committee and the Canadian Joint Intelligence Committee will pass to one another automatically and by the most expeditious means all intelligence information of the kind referred to in paragraph (1) above. They will also pass to one another all additional intelligence information, including background information which will make it possible for each intelligence authority to make assessment

of the situation to which the information referred to in paragraph (1) relates. Any such assessments will also be exchanged expeditiously between the two intelligence authorities.

(3) The United States Intelligence Advisory Committee and the Canadian Joint Intelligence Committee will make arrangements to ensure that such exchanges can be made by the most expeditious means possible.

I should be grateful if you would let me know at your early convenience whether these proposals meet with the approval of your Government.

Yours sincerely,
A.D.P. HEENEY

[PIÈCE JOINTE 2/ENCLOSURE 2]

L'ambassadeur aux États-Unis
au secrétaire d'État des États-Unis

Ambassador in United States
to Secretary of State of United States

TOP SECRET — Washington, May 14, 1956

Dear Mr. Dulles,

You will be aware that in an Agreed Minute dated June 14, 1951, our two Governments agreed that frequent special consultations on mutual defence arrangements and related matters should take place in Washington "between the Canadian Ambassador and the Secretary of State and such other officers of the United States Government as may be designated by him".[72] Such meetings of consultation have taken place since then as the international situation and our mutual interests required. At the last meeting in December there was some discussion on the question of arrangements for the exchange of information and consultation which might lead to the alerting of the North American defence system and an informal paper on the subject was left with the State Department. Since that time there have been further talks with officials in Washington. As a result of these consultations, I am now requested by the Canadian Government to put certain proposals to the United States Government. These are contained in this letter and a separate letter of even date.

In my letter dated May 14, 1956, I have proposed on behalf of the Canadian Government that our two Governments agree to exchange intelligence which might lead to a conclusion that operational alert measures would be required to deal with a possible attack on North America. The Canadian Government proposes that the two Governments should agree as follows:

(1) In a situation in which either Government concludes that alert measures are necessary or desirable both in the United States and Canada, the two Governments agree to consult.

(2) Such consultation to be effective, will be conducted both through the respective Chiefs of Staff of the two countries and through the diplomatic channel. If either Government considers that more detailed arrangements for consultation become necessary, either Government is free to make further proposals.

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[72] Voir volume 17, document 699, pièce jointe 2.
See Volume 17, Document 699, enclosure 2.

I should be grateful if you would let me know at your early convenience whether these proposals meet with the approval of your Government.

Yours sincerely,
A.D.P. HEENEY

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84. DEA/50028-BX-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

DESPATCH NO. 1748 Washington, December 5, 1956

TOP SECRET

Reference: Your Despatch DS-493 of May 4, 1956.†

ALERTS

Since the receipt of your despatch under reference on the subject of alerts, we have been in frequent touch with the State Department, and through the Canadian Joint Staff with the Pentagon, to expedite a reply to the two communications which I addressed to the Secretary of State on May 14 dealing with the exchange of intelligence, and with consultation in connection with bilateral alerts procedures between Canada and the United States.

2. We were called to the State Department today to receive the official replies to my letters of May 14 and I attach copies of the two letters signed by Mr. Robert Murphy, Deputy Under-Secretary, dealing with the two aspects of this problem raised in my letters to Mr. Dulles.

3. In handing us these replies, Mr. Marcelis Parsons, Director of the Office of British Commonwealth and Northern European Affairs, who was accompanied by Mr. Julian Nugent, Officer in Charge of Canadian Affairs, expressed regret for the delay on the United States side in letting us have their views. Parsons was informed that these communications would be referred at once to you for study and that we would let him know if we had any further comments to make when the competent departments in Ottawa have had the opportunity of examining this correspondence.

4. I am bringing this correspondence to the attention of the Chairman of the Canadian Joint Staff.

A.D.P. HEENEY

[PIÈCE JOINTE 1/ENCLOSURE 1]

Le sous-secrétaire d'État suppléant des États-Unis
à l'ambassadeur aux États-Unis

Deputy Under Secretary of State of United States
to Ambassador in United States

TOP SECRET [Washington], December 4, 1956

Dear Mr. Ambassador:

I have carefully studied your letter of May 14, 1956, in which you propose that Canada and the United States will consult when either Government concludes that alert measures are necessary or desirable in both countries. You also propose that, in such an event, this consultation will be conducted both through the respective Chiefs of Staff of the two countries and through the diplomatic channel.

I should like to state that our Government has independently been concerned with the problem of synchronization of alert measures in the face of compelling emergency, particularly in view of modern developments in warfare. The Canadian Government's parallel interest in this regard is, therefore, fully appreciated.

At the same time, it is difficult to visualize how prior consultation could be practicable under certain circumstances. The United States Government considers it essential that agreed procedures with respect to institution of alert measures, while providing for consultation and synchronization of governmental actions if time permits, be also designed to take care of circumstances in which the initiation of separate action by national authorities might necessarily have to proceed simultaneously with, or even precede, an exchange of views between governments. The latter type of circumstance must include the possibility of a failure of communications within or between nations.

By way of illustration, I should like to observe that consultation through the channels indicated by your letter is regarded entirely feasible and desirable, in the event either Government receives information which, when evaluated, might cause either to conclude that an attack on North America at some future date was likely and that institution of comparable alert measures in both countries would be desirable or necessary. We cannot imagine, however, that there would be sufficient time to consult through the channels indicated when such an attack is considered immediately probable or imminent and timely institution of emergency alert measures is of paramount importance. In such an emergency, immediacy and immanency of hostile action would have to regulate the action taken by both Governments. Under present arrangements, we must assume that (in view of the complete interchange of tactical data between the Air Defense Commands of the two countries) the decision made by both Governments would probably coincide.

It is hoped that agreement on this matter will result in arrangements that will give greater assurance of synchronization of alert actions by both governments. Meanwhile, we are constrained to rely on the probability that both Governments will, in fact, feel impelled individually to take concurrent measures, when the situation is such as to require alert measures and there is insufficient opportunity for consultation.

In the light of the foregoing, the United States Government is prepared to agree to your proposal, modified as follows:

(1) In a situation in which either Government concludes that alert measures are necessary or desirable both in the United States and Canada, the two Governments agree to consult through appropriate military and diplomatic channels if the circumstances permit. If circumstances do not permit prior consultation through both military and diplomatic channels, consultation may be accomplished through either. However, if, in the opinion of either Government, extreme circumstances require the taking of separate alert measures by it before such consultation, each Government shall be free to take such action, informing the other Government of actions taken, and the two Governments agree to consult as soon as possible.

(2) In any case, the freedom of action of either Government to take appropriate measures for its own defense or that of its other Treaty partners shall remain unaffected.

(3) If either Government considers more detailed arrangements necessary, either Government is free to make further proposals.

These arrangements will, of course, support other existing bilateral arrangements between our two governments and will supplement, not displace, agreed NATO procedures dealing with alerts and warning of attack.

If this meets with the approval of your Government, I suggest that this letter and your reply thereto should constitute our present agreement on this subject.

Sincerely yours,
ROBERT MURPHY

[PIÈCE JOINTE 2/ENCLOSURE 2]

Le sous-secrétaire d'État suppléant des États-Unis
à l'ambassadeur aux États-Unis

Deputy Under Secretary of State of United States
to Ambassador in United States

TOP SECRET [Washington], December 4, 1956

Dear Mr. Ambassador:

I refer to your letter of May 14, 1956, containing proposals concerning intelligence consultation between the United States and Canadian Governments in the event either Government receives intelligence information that there is a likelihood of hostilities in which North America might be attacked.

The United States Government is, of course, fully aware of the necessity of close cooperation between the authorities of our two governments in connection with indicator intelligence, and agrees to the proposals set forth in your letter. Indeed, I have been informed that the United States and Canadian intelligence authorities, as represented by the Director of Central Intelligence and Chairman of the Canadian Joint Intelligence Committee, have already established liaison arrangements to facilitate this kind of intelligence consultation.

I have also been informed that an agreement was recently reached between our respective intelligence authorities on a direct communications link between Washington and Ottawa for rapid handling of indications intelligence. I am sure you would agree, however, that already existing liaison arrangements are adequate to meet the continuing need for exchange of the additional and background information referred to in paragraph (2) of your proposal. Thus we should expect to transmit such information by special methods only in time of emergency or together with the information described in paragraph (1) of your proposal.

These arrangements will, of course, supplement, not displace, agreed NATO procedures dealing with the dissemination of information with respect to indications of attack, alerts and warning of attack.

Sincerely yours,
[R. MURPHY]

85. DEA/50030-AB-4-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DL-50 Ottawa, January 16, 1957

TOP SECRET

Reference: Your Despatch 1748 Dec 5/56.

ALERTS

The reply to the letter on intelligence procedures is satisfactory from the point of view of the Canadian Government. Please therefore send the following letter to Mr. Dulles as soon as possible and report the date by telegram.

Letter begins:

"I refer to Mr. Murphy's letter of December 4, 1956, in reply to my letter of May 14, 1956, containing proposals concerning intelligence consultation between the United States and Canadian Governments in the event that either government receives intelligence information which might cause either to conclude that there was a likelihood of hostilities in which North America might be attacked.

I wish to confirm that my government regards these two letters as constituting an agreement between the two governments, effective on the date of Mr. Murphy's letter, i.e. December 4, 1956.

I also wish to inform you that Mr. Murphy's second letter of December 4, 1956, on consultation between our two governments, is under consideration by my government, and that I expect to communicate with you further on this subject in due course."[73] Letter ends.

2. For your information, we do not think the reply on consultation is entirely satisfactory for the following reasons: (a) it does not make consultation through the diplomatic channel mandatory as we should like; (b) it provides for consultation at the service level "through appropriate military channels", rather than "through the respective Chiefs of Staff"; (c) it refers in rather vague terms to the "circumstances" which might prevent consultation prior to the institution of alerts, whereas it would be preferable to relate any such circumstances specifically to the time factor. We think that these considerations are of sufficient importance to merit our initiating another exchange of letters in an effort to gain USA acceptance of our position. The draft of the letter which it is proposed you should send to Mr. Dulles is expected to be considered at the next meeting of Cabinet Defence Committee in a week or two.

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[73] Heeney a reformulé cette lettre sous forme de réponse directe à Murphy, et l'a envoyée le 18 janvier 1957. Washington à Ottawa, télégramme 146, 19 janvier 1957, MAE 50030-AB-4-40.
Heeney recast this letter as a direct reply to Murphy, and delivered it on January 18, 1957. Washington to Ottawa, Telegram 146, January 19, 1957, DEA 50030-AB-4-40.

86. PCO/C-20-9(a)-D

Note du secrétaire d'État aux Affaires extérieures et
du ministre de la Défense nationale
pour le Comité du Cabinet sur la défense

Memorandum from Secretary of State for External Affairs and
Minister of National Defence
to Cabinet Defence Committee

DOCUMENT NO. D-7-57 Ottawa, January 22, 1957

TOP SECRET

PROCEDURES FOR CONSULTATION ON ALERTS

The Cabinet Defence Committee, at its 109th Meeting on April 16, 1956, agreed that two letters on procedures for consultation with the United States in connection with the possible institution of alerts by either country should be sent to the U.S. Secretary of State by the Canadian Ambassador in Washington.

2. (It will be recalled that the alerts referred to are the measures both civil and military, within their own countries, which the two Governments plan to take prior to and upon the outbreak of hostilities. If a nuclear attack on North America were anticipated and the United States Government were to declare alerts in the United States without consultation with the Canadian Government, in a situation where time permitted such consultation, an unnecessarily chaotic situation could ensue in Canada, particularly with respect to civil defence and other civilian measures affecting the public. Moreover, because of the involvement of Canada in the joint continental air defence system, Canada would automatically be implicated in any activation of the system by the United States based on intelligence received from outside the system as, for example, from the Far East. The fact that Canada could in this way be involved in a war between the United States and, say, Communist China, places this country in a special position with respect to the need for consultation with the United States in which no other country finds itself. The problem of consultation concerning indications coming from the air defence system itself, such as the crossing of the radar lines by hostile aircraft, does not arise because the Air Defence Commanders of the two countries already have authority to take in co-operation the necessary measures to deal with such indications.)

3. Copies of the two letters which were went to Mr. Dulles by Mr. Heeney on May 14, 1956, are attached as Annexes "A-1" and "B-1". Annex "A-1" is the letter on intelligence procedures, and Annex "B-1" is the letter proposing that in certain circumstances there should be consultation between the respective Chiefs of Staff of the two countries and through the diplomatic channel.

4. Mr. Heeney recently received two letters in reply from Mr. Robert Murphy, Deputy Under Secretary of State, dated December 4, 1956; copies are attached as Annexes "A-2" and "B-2".

5. The reply to the letter on intelligence procedures appears to be satisfactory from the point of view of the Canadian Government. The letter at Annex "A-3" was therefore sent by Mr. Heeney to Mr. Murphy on January 18, 1957, confirming that the exchange of letters at Annexes "A-1" and "A-2" constitutes an agreement between the U.S. and Canadian Governments, effective on the date of the second letter (December 4, 1956).

6. The reply to the letter on consultation is not entirely satisfactory for the following reasons: a) it does not make consultation through the diplomatic channel mandatory as we should like; b) it provides for consultation at the Service level "through appropriate military channels", rather than "through the respective Chiefs of Staff"; c) it refers in rather vague terms to the "circumstances" which might prevent consultation prior to the institution of alerts, whereas it would be preferable to relate any such circumstances specifically to the time factor. It would appear desirable, therefore, to obtain the agreement of the U.S. Government to some modification of the formula which it has proposed. Attached at Annex "B-3" is the text of a proposed letter which, if approved, would be sent to the U.S. Secretary of State by the Canadian Ambassador in Washington, in reply to the letter at Annex "B-2".

7. *It is recommended* that Cabinet Defence Committee approved the text of the letter at Annex "B-3".[74]

[L.B. PEARSON]
[R.O. CAMPNEY]

[ANNEXE «B-3»/ANNEX "B-3"]

Projet d'une lettre de l'ambassadeur aux États-Unis au secrétaire d'État des États-Unis

Draft Letter from Ambassador in United States to Secretary of State of United States

TOP SECRET Washington, January __, 1957

Dear Mr. Dulles,

I refer to Mr. Murphy's letter of December 4, 1956, concerning the proposal that Canada and the United States should consult when either Government concludes that alert measures are necessary or desirable in both countries.

2. We are sure you will agree that, because of the special relationship between Canada and the United States in the joint defence of North America, prior consultation between our two Governments is essential if at all possible. In particular, the Canadian Government wishes to ensure that indications of attack against North America originating outside the continental air defence system can be discussed and assessed fully and that there can be consultation at the highest levels between the Governments before either declares a national alert with its widespread implications involving particularly the civilian elements of our populations. However, the Canadian Government recognizes that an occasion may arise where time does not permit consultation before the declaration of an alert because the imminence of attack seems to either Government to be a matter of hours rather than days. My Government is therefore in agreement with what we understand to be the intent of the modified formula in Mr. Murphy's letter, but would prefer, to avoid any doubt in interpretation, to see it expressed as follows:

(1) In a situation in which either Government concludes that alert measures are necessary or desirable, both in the United States and Canada, the two Governments agree to consult

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[74] Approuvé par le Comité du Cabinet sur la défense à sa réunion du 6 et 7 février 1957 et par le Cabinet le 14 février 1957.
Approved by the Cabinet Defence Committee at its meeting of February 6 and 7, 1957, and by Cabinet on February 14, 1957.

through the diplomatic channel and through the respective Chiefs of Staff of the two countries. Such consultation will precede the institution of alert measures by either Government except in the following extreme circumstances: If either Government considers an attack on North America to be imminent or probable in a matter of hours rather than days, consultation might, of necessity, coincide with or even follow the institution of separate alert measures by either Government. If either Government is impelled by the time factor to take alert measures before initiating consultation, it agrees immediately to inform the other Government of the action taken and to consult with the other Government as soon as possible.

(2) In any case, the freedom of action of either Government to take appropriate measures for its own defence or that of its other Treaty partners shall remain unaffected.

(3) If either Government considers more detailed arrangements necessary, either Government is free to make further proposals.

3. My Government is in agreement with Mr. Murphy's statement that these arrangements will, of course, support other existing bilateral arrangements between our two Governments and will supplement, not displace, agreed NATO procedures dealing with alerts and warning of attack.

4. If the formula set forth in sub-paragraphs (1), (2) and (3) of paragraph 2 above meets with the approval of your Government, I propose that the correspondence consisting of my letter of May 14, 1956, Mr. Murphy's letter of December 4, 1956, my present letter and your reply thereto, should constitute an agreement between our two Governments on this subject, effective on the date of your reply.

Yours sincerely,
A.D.P. HEENEY

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87. DEA/50030-AB-4-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM DS-25 Ottawa, February 8, 1957

SECRET. IMPORTANT.
Reference: Your tel 30 January ?†
Repeat Washington (Information).

ALERTS

Would you please inform Dean that we are anxious to reopen jointly with the U.S. authorities the question of reaching agreement on the exchange of intelligence relating to alerts. However we would first like confirmation from Dean of our information that US-UK relations in the intelligence field were close during the Middle East crisis despite the differences at the governmental level; secondly we think it essential initially to make an informal approach to Allen Dulles to see whether he considers the time right for further discussion. You will remember that the last official communication on the subject from the U.S. government was the State Department aide mémoire of November 18, 1955. In general the aide mémoire pointed out that intelligence arrangements were satisfactory. We think however that they might take a different view as the result of their experience in negotiating with us for a bilateral agreement.

2. Since we would be reluctant to reopen tripartite discussions without first obtaining Dulles' views we hope that Dean will see no objection to Crean sounding out Allen Dulles informally during a visit to Washington already arranged to deal with other matters during the last week in February. If Dulles were favourable we might subsequently suggest a formula along the lines of our bilateral agreement although of course the language would have to be suitably adapted.

3. Would you meanwhile tell Dean that we are working on a draft formula and will let him have it as soon as possible.

4. In passing the above information to Dean you might remind him that the U.S. authorities are not yet aware that we have given him copies of our bilateral agreement between Ottawa and Washington. We would not wish the U.S. authorities to know we have done this until a suitable opportunity appears and only then providing it would cause no embarrassment.

5. We would be content, as I understand the U.K. authorities would be, to leave over for the present the question of tripartite consultation between governments.

6. Would you also inform Dean that we hope to have an answer in the near future on the U.K. proposal to rent jointly a trans-Atlantic duplex cable circuit.

7. We understand that Dean accompanied Sandys to Washington. If this is correct, would you let us know whether he had any discussions which bear on the question of tripartite discussions on intelligence.

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88. DEA/50030-AB-4-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 262 London, February 11, 1957

TOP SECRET. IMPORTANT.
Reference: Your tel DS-25 February 8.

ALERTS

We saw Dean this afternoon about alerts. He stressed that he would like to get ahead with tripartite discussions with the Americans as soon as possible. He quite agrees, however, that Crean should sound out Allen Dulles informally first. We told him that you might then suggest a formula along the lines of the bilateral Canadian-American agreement, with suitable adaptations, and he thought this would be useful. He hopes, however, that the whole thing can be done fairly expeditiously.

2. Dean suggested that after you have sounded out Allen Dulles informally, Arnold Heeney and Caccia might raise the matter formally with Foster Dulles, unless you think it would be better that the approach be directly from Crean and Dean to CIA. In any case, Dean suggested that the substantive discussions could conveniently take place in Washington in March. As Dean has already told Crean in his letter of February 4,† Air Vice Marshal MacDonald, Assistant Chief of Air Staff for Intelligence, will be in

Washington between March 4 and March 20 for the Annual Standing Group Intelligence Conference. Dean suggested that it would be useful if the Canadian and UK ambassadors could get things moving by then, and the follow up be done by AVM MacDonald for the UK, with Bill Crean down from Ottawa on the Canadian side. Dean confirmed that USA-UK relations in the intelligence field were close during the Middle East crisis, despite the long hiatus in consultations in formal diplomatic channels. Dean qualified this by saying that for a very short period, during the actual hostilities, the UK had not been passing all their intelligence to the Americans, "particularly on Israeli troop dispositions, etc". He also mentioned that some material from Singapore had not been exchanged during this period. But he said that very quickly thereafter the UK had got the focus back onto the Communist threat and UK-USA intelligence contacts had got back to normal. Indeed he said that the CIA had recently offered to pass to UK intelligence authorities their information on Latin America, which they had not previously done.

4. Regarding your paragraph 4, Dean promised not to let the Americans know that we have given him copies of the bilateral agreement between Ottawa and Washington.

5. Re your paragraph 7, Dean said that he had not discussed the alert question at all with the Americans during his talks in Washington when he accompanied Sandys. Some matters which would bear on the question of intelligence discussions did, however, come up during discussions with the Pentagon about the proposal for the development of missile bases in the UK, since it was recognized that this would necessarily involve working out appropriate agreements about their use. Dean had pointed out that this would, of course, also imply appropriate arrangements for the exchange of intelligence, and the Americans had agreed. Dean told us, however, that nothing was done to follow this aspect up, partly because these talks were entirely with the Pentagon and did not include CIA and partly because Dean had not yet briefed Sandys on these intelligence questions.

6. Dean confirmed the understanding, to which you referred in your paragraph 5, that he would be happy to leave over for the present the question of tripartite consultation between governments. He pointed out, however, that this question might well come up at a later stage, and referred again to the discussion about missile bases. He said that no formal agreement had yet been made for the missile bases, but he expected that the intermediate range missiles would be coming into production in the near future and their delivery, therefore, would not be unduly delayed.

7. Dean was glad to hear that we hoped to have an answer soon on the question of renting jointly a trans-Atlantic duplex cable circuit. He is, as you know, keen on this, partly because of its bearing on the alerts question. It is however, not our impression that the UK attitude on this matter has yet been threshed out with all the departments concerned or that it could yet be considered a formal UK proposal.

[N.A.] ROBERTSON

89. DEA/50030-AB-4-40

Le sous-secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Under-Secretary of State for External Affairs
to Ambassador in United States

LETTER DL-206 Ottawa, February 25, 1957

TOP SECRET

Reference: Our telegram DL-50 of January 16, 1957.

ALERTS

The Cabinet has now approved the text of the letter on consultation in reply to Mr. Murphy's letter of December 4, 1956. This is contained at Annex "B-3" of the attached Memorandum to Cabinet Defence Committee.

2. We thought it would be useful for you to have a copy of the Memorandum to Cabinet Defence Committee since it contains copies of all the letters exchanged to date on both the intelligence and consultation aspects of this question. In addition, paragraph 2 summarizes briefly the nature of our interest in the conclusion of a satisfactory agreement on consultation and paragraph 6 mentions the points in Mr. Murphy's letter which we found to be not entirely satisfactory.

3. Would you please deliver to the State Department the reply to Mr. Murphy's letter, inform us by telegram and send us a confirmation copy through the bag. As the letter has been approved in its present form by the Cabinet, no changes should be made in it without prior consultation with us.

4. For your information we have recommended to Mr. Pearson that, in order to emphasize the importance which the Canadian Government attaches to the conclusion of a satisfactory agreement with the U.S. Government on consultation on alerts, he might call in Mr. Merchant at about the same time as you deliver your letter to the State Department. We do not know whether the Minister will decide to do this but shall of course keep you informed.

5. One point which we have drawn to the Minister's attention is that the question of the integration of operational control of the continental air defence system will soon require consideration by Canadian Ministers. We have suggested to him that the United States authorities might be reminded, possibly through Mr. Merchant, that Canadian willingness to agree to joint operational control of the continental air defence forces should be met by a corresponding United States recognition of the need for adequate consultation with the Canadian authorities on matters which might lead to the alerting of the air defence system.

R.M. MACDONNELL
for Under-Secretary of State
for External Affairs

90. DEA/50030-AB-4-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM DS-50 Ottawa, February 25, 1957

TOP SECRET
Reference: Your tel 262 February 11, 1957.
Repeat Washington (Information).

ALERTS

My immediately following telegram contains a draft text of a formula which might be used with the United States authorities for an agreement on the exchange of intelligence related to alerts. I should be glad if you would pass a copy of this to Dean. Would you tell him that this is largely based on the text of our agreement with the United States and that it is very much a first draft which has not yet had either inter-departmental approval or reached Ministers. We thought however that it might be useful for Dean to see the lines of our thinking at the official level at this stage.

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91. DEA/50030-AB-4-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM DS-51 Ottawa, February 25, 1957

TOP SECRET
Reference: Our tel DS-50 February 25, 1957.
Repeat Washington (Information).

ALERTS

"Draft Formula for Exchanging Intelligence Relating to Alerts in the NATO Area between the United States, United Kingdom and Canadian Governments

1. The three governments are already exchanging a large volume of intelligence on a bilateral basis. The three governments agree, however, that where any one of them receives information which, if examined, might cause it or one of the other governments to conclude that there was a likelihood of hostilities occurring in the NATO area, in which the three countries would be involved, it will keep the others informed.

2. The receipt of such information may require rapid executive action on the part of any or all three of the governments. Therefore, the United States, United Kingdom and Canadian intelligence authorities as represented by the United States I.A.C., the United Kingdom J.I.C. and the Canadian J.I.C., will pass to one another automatically and by the most expeditious means all intelligence information of the kind referred to in paragraph 1

above. They will also pass to one another all additional intelligence information, including background information, which will make it possible for each intelligence authority to make an assessment of the situation to which the information referred to in paragraph 1 relates. Any such assessment will also be exchanged expeditiously between the three intelligence authorities.

3. The United States I.A.C., the United Kingdom J.I.C. and the Canadian J.I.C. will make arrangements to ensure that such exchanges can be made by the most expeditious means possible.

4. The foregoing arrangement in no way relieves any of the three governments from informing NATO authorities in accordance with the terms of SG 166/1, and in no way affects the requirement for the United States and United Kingdom governments to inform and consult with the Standing Group."

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92. DEA/50030-AB-4-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 494 Washington, March 1, 1957

TOP SECRET. CANADIAN EYES ONLY.
Reference: Your letter DL206 Feb 25.

ALERTS

In accordance with the instructions in your letter under reference, I arranged yesterday at five pm to deliver to Robert Murphy, Deputy Under Secretary of State, the text of the letter addressed to Mr. Dulles, as set forth in Annex "B-3" of the memo to Cabinet Defence Committee which formed the annex to your letter of February 25. In doing so, I made the three points set forth in paragraph 6 of the memo to Cabinet.

2. I also emphasized the real importance which the Canadian Government attached to the early and satisfactory conclusion of the agreement on consultation, and took the opportunity to remind Mr. Murphy that if and when the question of joint operational control of the continental air defence forces should move forward in discussions between our two governments, we would have to give careful prior consideration to adequate consultation on the governmental level on matters which might lead to the alerting of the Air Defence System.

3. In view of the fact that I had been summoned by Mr. Dulles to an urgent meeting in connection with Mideast matters, the subsequent discussion with Murphy was carried on by Rae and Crean who accompanied me. While Murphy could not obviously give a final view, his comments indicated recognition of the need to tighten up the understanding proposed in Murphy's letter of December 4. In particular, he recognized that the expression "circumstances" in his earlier communication was vague, and he seemed to agree that the consultative process should be mandatory, except where the time factor made this impossible.

4. We also took the opportunity to emphasize the interest of the Canadian Government in ensuring that indications of attack against North America originating outside the continen-

tal air defence system should be discussed and assessed fully between the two governments at the highest level.

5. Murphy raised the question as to the precise meaning in the first sentence of subparagraph (1) of our letter of the phrase "through the respective Chiefs of Staff". He thought this might be too restrictive a phrase, and it was to avoid such a phrase that his letter had used the term "appropriate military channels". We explained carefully that the Canadian Government regarded this as too loose. There were many military channels, some of which would not be acceptable to us for consultation on matters of this importance, e.g., a channel between commands would not be acceptable. Murphy appeared to accept this point. He wondered, however, whether our phrase would require a personal communication between the respective Chairman of the Chiefs of Staff in the two countries, or whether this would not impose a limitation which might be difficult to accept in practice. We emphasized in reply that while the precise machinery by which such consultation might have to be elaborated, we attached importance to the principle that consultation, in addition to that conducted through the diplomatic channel, should at the same time be authorized at the level of the respective Chiefs of Staff.

6. Murphy undertook to communicate with Admiral Radford, and to let us have a reply as soon as possible, particularly in view of the importance of reaching finality in this matter.

[A.D.P.] HEENEY

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93. DEA/50030-AB-4-40

Le sous-secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Under-Secretary of State for External Affairs
to Ambassador in United States

LETTER G-251 Ottawa, March 6, 1957

TOP SECRET

Reference: Your telegram No. 494 of March 1.

ALERTS

Mr. Macdonnell had a conversation on this subject today with Mr. Merchant, the United States Ambassador. This took the place of the talk between the Minister and Mr. Merchant which was mentioned in paragraph 4 of our letter No. DL 206 of February 25.

2. It was made clear to the Ambassador that we wanted to emphasize the importance which the Canadian Government attaches to the problem of alerts and consultation, and not to interfere in any way with the correspondence and discussions which you are conducting in Washington. Mr. Macdonnell went over the ground at some length with a view to making the point that we were proposing textual changes not from any pedantic desire for perfection in drafting but because the subject was of the greatest importance to the Canadian Government.

3. The Ambassador recognized fully the importance to Canada of consultation of the kind which we are seeking. He underlined, in terms perhaps even more explicit than those used by Mr. Macdonnell, the extreme difficulty of the situation which Canada would face should North America be attacked because of actions on the part of the United States Gov-

ernment in areas in which we had no direct concern. He recognized as well that the wisdom of such United States actions (for example involving Communist China) might not commend itself to the Canadian Government or Canadian public opinion and that this made consultation particularly important.

4. In the opinion of the Department this talk was generally useful in enlisting the sympathetic understanding of the Ambassador. If, as we hope, he sends an account of it to the State Department, it may do some good there.

R.M. MACDONNELL
for Under-Secretary of State
for External Affairs

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94. DEA/50030-AB-4-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM DS-60 Ottawa, March 6, 1957

TOP SECRET. IMPORTANT.
Reference: Your tel 364 of February 25, 1957.†

ALERTS

Allen Dulles told Crean last week that he could see no reason why the present time would be unsatisfactory for resuming tripartite discussions on the exchange of intelligence relating to alerts. He would not however commit himself to an opinion on the best means of re-opening the discussions and was unwilling to give a view until he had raised the matter with the State Department. Unfortunately Crean was only told this at the end of his visit and the best he could do was to ask Dulles to let him know as soon as possible the results of conversations with the State Department. Crean suggested to Dulles that perhaps the best way of re-opening the discussions would be to have an informal tripartite talk confined to civilians, for example, Dean, Allen Dulles and himself. Such a meeting might try to identify the precise problem which concerns us and discuss the best way of putting forward a formula which would be satisfactory to the three governments. General Cabell, Dulles' Deputy, who was present at the meeting thought it would be difficult to omit the military from such a discussion. This part of the discussion was entirely inconclusive and I think we should give Allen Dulles a week or so to let us know the results of his talks with State.

2. In the light of our own experience in dealing with the bilateral negotiations we are inclined to prefer informal discussion on the civilian side only and are, therefore, dubious about Dean's suggestion that Air Vice-Marshal McDonald should deal with this during his projected visit to Washington.

3. From a discussion Crean had with General Cabell and Sheldon (in Amory's absence) it seemed clear that the CIA were very dubious about the desirability or necessity of a tripartite agreement. Cabell's argumentation ran along the following lines. The USA and UK have an agreement which works satisfactorily (I am not at all clear whether there is a written agreement). The USA and Canada now have an agreement and, therefore, there is

no necessity to complete the triangle in a single document. Crean told Cabell that he still saw difficulties in not having an agreement. First, our own bilateral agreement was confined to matters affecting continental defence. Cabell rejoined that the USA did not interpret the agreement restrictively and said that surely we would be anxious to have information on any part of the world where aggression was likely to take place. Crean said that we were, of course, happy to have such information and were pleased to know that the USA did not intend to place a restrictive interpretation on our agreement. The fact remained, however, that the agreement did not read that way. Secondly, Crean pointed out that we did not always know when we received intelligence from Washington or London whether this had also been distributed to the third party. This was particularly important in relation to any reports which might be disseminated centrally by the USIAC or the UK JIC. Cabell said there would be no difficulty in waiving the third-party rule so far as intelligence produced centrally was concerned; in other words, he agreed that we should always be told in future whether a telegram or document produced centrally had been disseminated to the third party, and normally London and Ottawa would get the same information. In these circumstances, Cabell could not see what we would put into a tripartite agreement since we should be exchanging centrally between the three of us intelligence, as well as assessments, related to possible hostilities. Crean said that he did not know the precise terms of any agreement between the USA and the UK and considered that there was room for tripartite talks if for no other reason than to identify the problem which was worrying us. It might be that we would discover the problem related to mechanics rather substance but so far as we were concerned we still considered a tripartite agreement would have merit. When asked what we expected such an agreement to look like, Crean said that an agreement along the lines of the bilateral agreement with Washington, but placed in a different context, might be suitable. The UK and Canada had originally suggested that this should be in the NATO context. Cabell countered by saying why should it be confined to NATO since other areas of the world might produce intelligence related to possible Soviet aggression. While Crean conceded this point he merely reiterated that this had been the original, UK-Canadian proposal.

4. Cabell seemed unconvinced that there was need for a tripartite agreement since he considered that what we all wanted was looked after under present arrangements.

5. As a result of the foregoing we are far from clear whether a written agreement is essential. Have the UK a written agreement with the USA? We are under the impression that they do not, although they have of course a number of arrangements with CIA which could I believe hardly be classed as inter-governmental agreements. If the UK does not have a bilateral agreement, then are informal arrangements likely to work in a crisis? Certainly to press for a formal agreement on what in practice is supposed to happen now may meet with a good deal of opposition in Washington.

6. All this suggests that an early meeting with Dean would be desirable to determine exactly what we want to put to the USA and why. It is most unlikely that Crean will accompany the Prime Minister to Bermuda, and it has already been suggested to Dean that he might come on to Ottawa either during or after the Bermuda conference.

7. Would you pass a copy of this telegram to Dean and seek his comments.

95. DEA/50030-AB-4-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 439 London, March 12, 1957

TOP SECRET. MOST IMMEDIATE.

Reference: Your tel DS-60 March 6 and my tel 413 March 8.†

ALERTS

The subject of alerts was considered this afternoon by UK ministers, who were disturbed, as Dean had been, by some of the American views expressed to Crean. They have decided to raise the question at the Bermuda meeting, and wish to warn the Americans of their desire to add the alerts question to the agenda. In this connection they would like to know if possible not later than tomorrow Wednesday afternoon London time, whether we have any comment and also whether we would agree to a tripartite meeting in Washington between Crean, Dean and Allen Dulles immediately after Bermuda that is March 28.

2. The British would also like to refer, in general terms when they raise this question with Washington tomorrow, to the conversation between Crean and General Cabell. Dean has asked whether this would embarrass Crean.

3. Dean asked Arnold Smith to pass the following message immediately to Crean. Message begins:

We are most grateful to the Department of External Affairs and Crean for giving us this info.

2. We note that Allen Dulles appears to see no objection to tripartite discussions on the exchange of intelligence relating to alerts, but we find General Cabell's views very disturbing.

3. We agree generally with what Crean said to Cabell and we think that the conversation shows how necessary it is to have a tripartite discussion on the intelligence level as soon as possible in order to elucidate exactly what the problem is and the best way of dealing with it.

4. We have the following comments. We have a standard alerts procedure dealing with indicators of Soviet intentions to attack and providing for immediate consultation with the CIA (and Canadian) representatives in London and the JIC representative in Washington. The USA IAC have approved this procedure, and this approval was notified to us by Allen Dulles in February, 1956. As Crean pointed out, however, this is not a formal agreement and is based on purely bilateral USA/UK and Canada/UK consultation; it will not provide a three-cornered exchange of information. Moreover, the procedure envisaged is relatively cumbersome, involving meetings of experts and so on. It is expressly designed to deal with a period of mounting tension only and is not intended to cover a surprise attack. We are therefore not satisfied with it and still want something much speedier and three-cornered.

5. We are surprised at Cabell's criticism that the present proposals were being confined to NATO, because the original proposal, which originated in a conversation between Foster Dulles, Pearson and Eden on December 16, 1954, dealt with the threat to the NATO area

only.[75] Later we suggested that when an agreed procedure had been worked out it should be applied on a world-wide basis, but the Americans objected and wished to consider separately whether there should be an extension to non-NATO areas. We should however be content to apply any agreed procedure to non-NATO areas as well.

6. We are now very anxious to get on as fast as possible with establishing an agreed speedy three-cornered arrangement for exchanging intelligence. It is now well over two years since this exercise began, largely on the suggestion of Foster Dulles himself. If Cabell's views hold the field we shall have made virtually no progress in this time.

7. For all these reasons ministers have decided to say to the Americans at Bermuda:

(a) That although we understand why it has been difficult to press on more quickly with this exercise up to date, the time has now come to push on and bring it to a conclusion;

(b) That to this end the first step should be to reach an agreed understanding on the best methods of exchanging intelligence much more quickly and on a three-cornered basis with a view to meeting a surprise attack.

(c) That we would like to have a very early tripartite meeting for the purposes of establishing agreement on these intelligence exchanges, since there seems to be some misunderstanding, in some minds at least, as to what is intended and that we would like to arrange such a meeting immediately after Bermuda between Allen Dulles, Crean and Dean to give effect to this.

8. Ministers wish to give warning immediately to the Americans of their intention to raise this matter at Bermuda. We would like to know at once whether the Canadians have any comment and whether they would agree to a meeting as suggested above.

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96. DEA/50030-AB-4-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM DS-62 Ottawa, March 12, 1957

TOP SECRET. IMMEDIATE.
Reference: Your tel 439 March 12.

ALERTS

We certainly have no objection to the UK discussing with the Americans the alerts question at their talks in Bermuda. We would also agree to a tripartite meeting in Washington after the Bermuda talks as proposed in paragraph 1 of your telegram on or about March 28.

2. We have no objection to the UK mentioning the talk Crean had with Cabell on the understanding, however, that the USA are not taxed with a misunderstanding of the UK-Canadian position on the intelligence side of alerts. Would you impress on Dean that while we regard Cabell's views as possibly indicative of the American attitude we would not regard what he said to Crean as representing any final American position and we think it likely that Cabell was speaking informally and perhaps to some extent personally. It is

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[75] Voir/See Volume 21, Document 168.

important for our relations with Washington, therefore, that any reference to the Cabell-Crean talks should not be made in any accusatory way. We agree with Dean's comments in paragraph 4 and this confirms what we understood to be the case, namely, that the British have certain informal arrangements with the Americans which do not amount to an agreement and which in any event, are unlikely to work speedily.

3. Re your paragraph 5. We found it difficult to assess Cabell's mention of not confining the exchange of intelligence to the NATO area. His remarks on this subject we regard more as a point of debate rather than representing a fixed USA view.

4. Our only objection to paragraph 7 relates to sub-paragraph (c). We would prefer that they omit any reference to possible misunderstanding. We suggest, therefore, that the paragraph omit the clauses starting with the word "since" and ending with "intended".

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97. DEA/50030-AB-4-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 498 London, March 18, 1957

TOP SECRET

Reference: Your tel DS-51 February 25 and our tel 364 February 28.†
Repeat Washington (Information).

ALERTS PROCEDURE

We have now received from Pat Dean the UK comments on the draft formula forwarded in your telegram under reference. These comments are contained in a top secret letter from Dean to Arnold Smith dated March 15 and reading as follows:

"We have now had an opportunity of examining in detail the draft formula which you handed to me on February 27 for exchanging intelligence in connection with our proposed tripartite alerts procedure.

2. We agree with the general line of your draft and are prepared to accept it. We think however that the following changes would be improvements:

(a) We think that the importance of really speedy exchanges of intelligence should be emphasized in the first paragraph. We therefore suggest that the second sentence of it might be amended to read: "The three governments agree however that where any one of them receives information which if examined, might cause it or one of the other governments to conclude that there was a likelihood of hostilities occurring in the NATO area, in which the three countries would be involved, it will take special steps to keep the others informed with the maximum of rapidity."

(b) The reference in the second sentence of paragraph 2 to "paragraph 1 above" is rather too comprehensive; the reference is not really to paragraph 1 as a whole but to the second sentence of it. We therefore suggest that the conclusion of the second sentence of paragraph 2 should be amended to read: "... referred to in the second sentence of paragraph 1 above."

(c) In view of General Cabell's criticism of the apparent restriction of our alerts procedure to the NATO area, we suggest that it might be advantageous to add a fifth paragraph to your formula: "5. It will be for consideration whether the above procedures should be applied to other areas in addition to the NATO area".

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98. DEA/50028-BX-40

Procès-verbal d'une réunion

Minutes of Meeting

TOP SECRET [Washington], March 27, 1957

MEETING AT C.I.A. ON MARCH 28 TO DISCUSS THE EXCHANGE OF INTELLIGENCE RELATING TO ALERTS IN THE NATO AREA

Present:

U.S.
  Mr. Allen Dulles, Mr. Wisner, General Cabell,
  Mr. Sheldon, Mr. Park Armstrong, Mr. Furnas.
CANADA
  Mr. Crean, Mr. Rae.
U.K.
  Mr. Dean, Mr. Jones, Mr. Roper.

Mr. Dean began by outlining the reasons for considering further the arrangements which had grown out of the conversation on this subject between Mr. Foster Dulles, Mr. Pearson and Sir A. Eden in December 1954. In the first place these arrangements were not on a fully tripartite basis. Secondly, they were, so far as the U.K. was concerned, embodied in a letter from Mr. Allen Dulles to Mr. Crick, which though satisfactory so far as procedure went, was not really adequate for an agreement of such importance on policy. Finally, it was important that the arrangements should cover expeditious exchanges not only of information but also of assessments. There was no suggestion that an agreed assessment should be reached but only that individual assessments should be exchanged. He therefore invited consideration of the attached draft (Appendix A).

Mr. Crean supported these arguments especially as regards the need for arrangements to be fully tripartite. Any combination of bilateral agreements tended to leave in the air the question of who was to inform the third party.

In discussion of existing procedure and methods of improving it was agreed that any new procedure would supplement, and not replace, existing arrangements such as those between the C.I.A. Watch and the Canadian J.I.C. and the U.K. J.I.C. and C.I.A. The existing Canadian/U.S. arrangements included direct line communications from C.I.A. to the Canadian J.I.C. supplemented by liaison officers in Ottawa and Washington. *Mr. Dulles* said it might be of assistance if Her Majesty's Government had in London a designated Indications Centre on the lines of those in Washington and Ottawa. *Mr. Dean* undertook to look into this.

It was then agreed that, for the purposes in question, radio communications might be unreliable when most needed. *Mr. Crean* expressed satisfaction with existing line communications between Ottawa and Washington which were being used for transmitting the weekly conclusions of the Watch Committee, and said that he hoped to see similarly reliable communications between Ottawa and London and Washington and London. The basis of any future procedure should be that any communication on indications intelligence addressed to one party should automatically and simultaneously be repeated to the other. It was furthermore important that intelligence should have its own channels and not have to compete in time of crisis with service traffic. *Mr. Sheldon* referred to the existence of a secure teleprinter line to the U.S. Embassy in London which was jointly owned by C.I.A. and the State Department and at present used largely for F.B.I.S. material. *Mr. Dean* said that Her Majesty's Government might consider renting a channel in the new Transatlantic cable. This would involve expenditure and for budgetary purposes an early decision would be required. It would expedite a favourable decision if, as a result of the present talks, a firm tripartite agreement were concluded. *Mr. Crean* mentioned that the Canadian Government might pay half the cost of an Ottawa/London link. *Mr. Dean* said that the first task was to reach agreement on the main principles. Thereafter technical discussions regarding procedures and communications facilities should follow.

After some discussion on the desirability of entering into a more formal agreement than that which existed in practice at the present time *Mr. Dulles* said that the form of agreement was largely a matter for the State Department, and invited Mr. Armstrong's views.

Mr. Armstrong said that the State Department would be breaking new ground in embodying any arrangements of the kind discussed in a formal tripartite agreement. Moreover, there was the problem presented by the exclusion of other NATO countries. The State Department would certainly wish to consider the matter from the political point of view. It would help if any documents to be exchanged were of a fairly informal nature. On a point of detail it would be more in keeping with U.S. legislation for any agreement to refer, on the U.S. side, to the Director of Central Intelligence (on whom statutory responsibility in such matters rested) rather than to the Intelligence Advisory Committee.

Mr. Dean and *Mr. Crean* said that it would be sufficient for any agreement to be recorded in an exchange, or combination of exchanges, of letters between the Canadian and U.K. Ambassadors and the U.S. Secretary of State.

It was left that Mr. Armstrong would consult his colleagues in the State Department urgently and get in touch with Mr. Dean and Mr. Crean as soon as possible. If there was no objection from the State Department as to the form the agreement might take, Mr. Dulles would then require to obtain the approval of the I.A.C., both as to form and substance. Mr. Dulles undertook to inform the U.K. and Canadian Embassies whether the I.A.C. had any comments to make. If the I.A.C. saw no objection the Canadian authorities would then seek Government approval. Similar action would be taken by the U.K. authorities.

Mr. Dean said that if the present agreement was concluded, the question of adopting a similar procedure for areas other than the NATO area should be considered later.

[PIÈCE JOINTE/ENCLOSURE]

Appendice A

Appendix A

TOP SECRET

DRAFT FORMULA FOR EXCHANGING INTELLIGENCE RELATING TO ALERTS IN THE NATO AREA BETWEEN THE UNITED STATES, UNITED KINGDOM AND CANADIAN GOVERNMENTS

1. The three Governments are already exchanging a large volume of intelligence on a bilateral basis. The three Governments agree, however, that where any one of them receives information which, if examined, might cause it or one of the other Governments to conclude that there was a likelihood of hostilities immediately threatening the NATO

area, in which the three countries would be involved, it will take special steps to keep the others informed with the maximum of rapidity.

2. The receipt of such information may require rapid executive action on the part of any or all three of the Governments. Therefore, the United States, United Kingdom and Canadian intelligence authorities, as represented by the United States Intelligence Advisory Committee, the United Kingdom Joint Intelligence Committee and the Canadian Joint Intelligence Committee, will pass to one another automatically and by the most expeditious means all intelligence information of the kind referred to in the second sentence of paragraph 1 above. They will also pass to one another all additional intelligence information, including background information, which will make it possible for each intelligence authority to make an assessment of the situation to which the information referred to in paragraph 1 relates. Any such assessment will also be exchanged expeditiously between the three intelligence authorities.

3. The United States I.A.C., the United Kingdom J.I.C. and the Canadian J.I.C. will make arrangements to ensure that such exchanges can be made by the most expeditious means possible.

4. The foregoing arrangement will supplement, and not displace, agreed NATO procedures dealing with the dissemination of information with respect to indications of attack, alerts, and warning of attack.

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99. DEA/50030-AB-4-40

Le sous-secrétaire d'État aux Affaires extérieures
au président du Comité des chefs d'état-major

Under-Secretary of State for External Affairs
to Chairman, Chiefs of Staff Committee

TOP SECRET [Ottawa], April 4, 1957

Dear General Foulkes,

TRIPARTITE ALERTS — INTELLIGENCE

I am enclosing the text of a draft letter† to the United States Secretary of State which, if finally accepted, would comprise our agreement with the United Kingdom and United States Governments on the exchange of intelligence relating to alerts in the NATO area. This draft has been approved by the United States Intelligence Advisory Committee. It appears satisfactory to me and if you and Mr. Bryce are agreeable to it, I suggest that we obtain the approval of our respective Ministers and the Prime Minister. I do not think it should be necessary to submit this draft to Cabinet Defence Committee and would be glad to know if you agree with this proposed procedure. If the Ministers and the Prime Minister agree to the text I shall then arrange with the United Kingdom Government to have identical letters sent by our respective Ambassadors in Washington to the United States Secretary of State.

The text of the letter referred to above was arrived at in the following way. I am enclosing a minute, agreed between the United Kingdom and Canadian representatives, of a meeting which was held with representatives of the Central Intelligence Agency and the State Department on March 28. Attached to this is the text of the formula which was agreed to as a working paper (with one minor change) prior to Mr. Crean visiting Bermuda and Washington. Subsequent to this meeting the State Department examined the formula with a view to determining whether there was any political objection to reaching a tripartite agreement and if there were no objection what form the agreement should take. The State Department subsequently redrafted our formula in the form of a letter to the United States Secretary of State adding the introductory sentence and the last paragraph. They also made one or two minor editorial changes. Mr. Allen Dulles then undertook to present this draft to the Intelligence Advisory Committee on April 2. This was done and I have now been informed by our Embassy that the Intelligence Advisory Committee approves of the draft letter subject to two changes in the third sentence of the second paragraph. These changes are included in the clean draft of the proposed letter which I refer to in paragraph 1 above. The changes do not to my mind alter the substance of the sentence.

I am favourably surprised by the speed and receptiveness of the United States officials to the United Kingdom/Canadian proposal and no doubt this was assisted by the fact that the President, according to Mr. Allen Dulles, directed him to review the exchange of intelligence between the United States, United Kingdom and Canada.

It occurs to me that it may be wise, once the exchange of letters has taken place with the United States Secretary of State, to exchange letters with the United Kingdom Government and so inform the United States Government. While I am not sure that this is strictly necessary it might avoid any suggestion which might arise in the future that all we have in fact done is complete two separate bilateral agreements with the United States Government. While this is unlikely to arise as I read the text of the proposed letter, it may be as well to complete the triangle in this way.

I should be glad if you would let me have your comments or agreement at your earliest convenience.

I am sending a copy of this letter to Mr. Bryce with the request for his comments.

Yours sincerely,
JULES LÉGER

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100. DEA/50030-AB-4-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DS-94 April 16, 1957

TOP SECRET
Reference: Your tel 763 April 2, 1957.
Repeat London (Information).

TRIPARTITE INTELLIGENCE AGREEMENT

My telegram No. DS-95 contains the text of identical letters to be sent by the Canadian and UK ambassadors in Washington to the USA Secretary of State. The text has been cleared with the Secretary of State for External Affairs, the Minister of Defence and the Prime Minister here and I understand it has now been cleared by the ministers in the UK. Would you, therefore, (a) inform the State Department that we have accepted the changes proposed by the Intelligence Advisory Committee and that identical letters will shortly be forthcoming and (b) check the text of the letter with the UK Embassy and coordinate their delivery to the State Department so that they are dated and delivered on the same day.

2. I am informing the UK High Commissioner here and our High Commissioner in London accordingly.

3. If the answers from the USA Secretary of State to the UK and Canadian ambassadors are satisfactory we expect to agree with the UK government that the latter should write to the Canadian government in the following terms:

"Following on discussions between representatives of the UK and Canadian governments in Bermuda, and subsequently in Washington the ambassadors of our two countries in the USA have addressed to the Secretary of State for the United States letters in identical terms on the subject of exchanging intelligence relating to the possibility of an attack by Soviet or satellite forces against the NATO area. Copies of the letter dated _______ from the UK Ambassador in Washington to the USA Secretary of State and his reply thereto are enclosed. I understand that the exchange of letters in identical terms between the Canadian Ambassador and the USA Secretary of State took place on the same dates.

I should be grateful for your confirmation that the exchange of identical letters between the UK and Canadian Ambassadors in Washington and the USA Secretary of State should be regarded as constituting the present agreement among the governments of the USA, the UK, and Canada on this subject."

4. Our reply to such a letter would complete the triangle with respect to the agreement and avoid any possible future misunderstanding between the three parties. We would I expect send copies of this latter exchange to the State Department.

For London Action

Would you please pass the text to Dean of the proposed exchange of letters between the UK and Canadian governments referred to in paragraph 3. Would you also inform Dean that the ministers concerned have now cleared the text of the proposed letters to the USA Secretary of State and inform him that we have now sent instructions to our Embassy in Washington. The UK High Commissioner here has been informed accordingly since he was present at the Bermuda talks. The UK High Commissioner has raised with us the question of registering the agreement under Article 102 of the United Nations Charter. Neither the USA nor ourselves would wish to register the agreement and we have so told Earnscliffe.

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101. DEA/50030-AB-4-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM DS-95 Ottawa, April 16, 1957

TOP SECRET
Reference: My tel DS-94 April 16, 1957.
Repeat London (Information).

TRIPARTITE INTELLIGENCE AGREEMENT

Following is the text of identical letters to be sent to the USA Secretary of State by the Canadian and UK Ambassadors in Washington:

"Dear Mr. Dulles:

1. You will be aware of the conversations among representatives of our two governments and the government of (the UK) (Canada) on the subject of exchanging intelligence relating to the possibility of an attack by Soviet or satellite forces against the NATO area. The three governments are already exchanging intelligence on a bilateral basis. It is now proposed, however, that the three governments agree that where any one of them receives information which, if examined, might cause it to conclude that there is a likelihood of hostilities immediately threatening the NATO area, in which the three countries would be involved, it will keep the other two governments informed with a maximum of rapidity.

2. The receipt of such information may require rapid executive action on the part of any or all three of the governments. It is proposed, therefore, that it be agreed that the USA, UK and Canadian intelligence authorities as represented by the USA Director of Central Intelligence, the UK Joint Intelligence Committee and the Canadian Joint Intelligence Committee, will pass to each other automatically and by the most expeditious means all intelligence information of the kind referred to in paragraph 1 above. They will also pass to each other such pertinent additional intelligence information, as may make it possible for each government's intelligence authority to make an assessment of the situation to which the information referred to above relates. Any such assessment will also be exchanged expeditiously among the three intelligence authorities. The USA, UK and Canadian intelligence authorities will make arrangements to ensure that such exchanges can be made by the most expeditious means possible.

3. The foregoing arrangement will supplement, not displace, agreed NATO procedures dealing with the dissemination of information with respect to indications of attack, alerts, and warning of attack.

4. I understand that the Ambassador of (Canada) (the UK) on behalf of his government is addressing an identical letter to you. I should be grateful if you will let me know at your earliest convenience whether these proposals meet with the approval of your government. If you approve, I suggest that these letters and your replies thereto should constitute the present agreement among the governments of the USA, United Kingdom and Canada on this subject. Ends."

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102. DEA/50030-AB-4-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 932 Washington, April 18, 1957

TOP SECRET. PRIORITY.
Reference: Your telegrams DS-94 and DS-95 April 16.
Repeat London (Information).

TRIPARTITE INTELLIGENCE AGREEMENT

In accordance with the instructions in your telegrams DS-94 and DS-95, and in concert with the UK Embassy here, arrangements were made to hand to the State Department identical letters addressed to the Secretary of State, in our case on the basis of the text given in paragraphs 1 to 4 of your telegram DS-95. The letters were communicated today to Park Armstrong (Special Assistant-Intelligence). He said that replies would be drafted in the State Department and that the text of our two letters, together with the proposed State Department reply, would be submitted for approval to the Intelligence Advisory Committee. In view of the Easter weekend, he was doubtful whether this could be done before the committee's meeting on April 30.

2. Roper of the British Embassy expressed the view, with which we concurred, that it would be helpful to have an advance indication of the nature of the USA reply before it is finally communicated to us. Armstrong thought that this would be possible following consideration by the Intelligence Advisory Committee.

3. Armstrong, who did not study the notes carefully, said that he assumed that, providing they followed the lines previously agreed and incorporated the changes proposed by the Intelligence Advisory Committee, there should be no difficulty in preparing a satisfactory reply.

4. A copy of the note addressed to the Secretary of State as communicated through Armstrong is being forwarded by bag.

[A.D.P.] HEENEY

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103. DEA/50030-AB-4-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1052 Washington, May 6, 1957

TOP SECRET. PRIORITY.
Reference: Our tel 932 April 18.
Repeat London (Information).

TRIPARTITE INTELLIGENCE AGREEMENT

Howard Furnas, in the Office of the Special Assistant-Intelligence, has given us a helpful advance indication of the likely nature of the State Department reply to our letter April 18 addressed to the Secretary of State on the subject of a Tripartite Intelligence Agreement. We understand that the Intelligence Advisory Committee has now considered this matter, and that the Office of the Special Assistant-Intelligence has recommended (the Secretary of State returns tomorrow) that replies should be sent to our letter and to the UK letter in the following terms: Text begins:

Dear Mr. Ambassador:

I refer to your letter April 18, 1957 proposing that our two governments and the government of (the UK/Canada) agree that where any one of them receives information which, if examined, might cause them to conclude that there is a likelihood of hostilities immediately threatening the NATO area, in which the three countries would be involved, it will keep the other two governments informed with a maximum of rapidity. The Ambassador of (the UK/Canada) has addressed an identical letter to the Secretary of State.

My government agrees to the proposal with the understanding that arrangements will now be made among intelligence authorities of our two governments and the government of (the UK/Canada) to insure that intelligence exchanges of the kind referred to can be made in the most expeditious manner possible. In this connection it is also our understanding that watch procedures established as a result of this agreement will be maintained on a continuous 24-hour basis.

My government agrees that the correspondence consisting of your letter April 18, 1957 and my present letter, together with the letter from the Ambassador of (the UK/Canada) and my reply to it, should constitute the agreement among our three governments on this subject, effective today. Text ends.

2. On first reading, a reply on these lines should meet the requirement, and quite properly leaves the detailed arrangements to be worked out directly between the intelligence authorities concerned. We were not, of course, asked to comment, but there seems no reason to suppose that the final reply will not follow the lines of the above draft.

3. Roper of the British Embassy has referred the proposed reply to London, and also considers that it meets the case. He understands that discussions between the intelligence authorities (or their representatives) may be proposed shortly after the final reply has been sent to us.

[A.D.P.] HEENEY

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104. DEA/50030-AB-4-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 964 London, May 7, 1957

TOP SECRET

Reference: Your tel DS-94 April 16 and subsequent correspondence.
Repeat Washington (Information).

TRIPARTITE INTELLIGENCE AGREEMENT

As instructed in your telegram DS-94 we passed to Patrick Dean the text of the proposed letters between the UK and Canadian governments to be exchanged after satisfactory replies had been received from Mr. Foster Dulles by our respective ambassadors in Washington.

2. Patrick Dean has now informed us that the UK authorities have examined our draft for Garner's letter to Mr. Pearson and have no objection to it. Similarly they agree that after the Anglo-Canadian exchange of letters in Ottawa is complete copies of the letters should be sent to Mr. Foster Dulles by our respective ambassadors in Washington. Finally the UK agrees that the arrangement should not repeat not be registered with the UN.

3. In the meantime the UK and we have been shown by the Americans the draft prepared for Mr. Dulles' reply to the Canadian and UK ambassadors in Washington. The draft is now being studied here and Dean hopes to let us have his views on it very soon. He has told us that at first glance it seems to him personally all right.

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105. DEA/50028-BX-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1078 Washington, May 8, 1957

TOP SECRET. PRIORITY.
Reference: Our tel 1052 May 6.
Repeat London (Information).

TRIPARTITE INTELLIGENCE AGREEMENT

We have received under date of May 8 a letter addressed to the Ambassador and signed by Robert Murphy, Deputy Under-Secretary, which follows the exact text given us by Furnas and repeated in our telegram 1052, with the exception of course, that the bracketed phrases have been removed and the reference made only to the UK. Text of letter as finally received goes forward by bag.[76]

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[76] Dès réception de la lettre des États-Unis du 8 mai, les gouvernements canadiens et britanniques ont échangé leurs propres lettres en conformité avec l'arrangement décrit dans les documents 101 et 104. Cet échange se trouve consigné dans MAE 50028-BX-40.

Upon receipt of the American letter of May 8, Canadian and British governments exchanged their own letters according to the arrangement outlined in Documents 101 and 104. The exchange is on DEA 50028-BX-40.

SECTION D

INSTALLATIONS DU COMMANDEMENT AÉRIEN STRATÉGIQUE
STRATEGIC AIR COMMAND FACILITIES

106. PCO

Extrait du procès-verbal de la réunion du Comité du Cabinet sur la défense

Extract from Minutes of Meeting of Cabinet Defence Committee

TOP SECRET [Ottawa], June 13, 1956

Present:

The Prime Minister (Mr. St-Laurent), in the Chair,
The Minister of Defence Production (Mr. Howe),
The Minister of National Defence (Mr. Campney),
The Minister of National Health and Welfare (Mr. Martin),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Finance (Mr. Harris).
The Minister of Northern Affairs and National Resources (Mr. Lesage).
(For Items III, IV and V)
The Secretary (Mr. Martin),
The Military Secretary (Captain Lucas).
The Chairman, Chiefs of Staff (General Foulkes),
The Chief of the Air Staff (Air Marshal Slemon),
The Chief of the General Staff (Lieutenant-General Graham),
The Chief of the Naval Staff (Vice Admiral DeWolf),
The Chairman, Defence Research Board (Mr. Zimmerman).
The Secretary to the Cabinet (Mr. Bryce),
The Deputy Minister of Welfare (Dr. Davidson),
The Deputy Minister of Defence Production (Mr. Golden),
The Deputy Under-Secretary of State for External Affairs (Mr. Macdonnell),
Mr. R.G. MacNeill, (Department of Finance).

. . .

IV. UNITED STATES AIR FORCE REQUEST FOR PRELIMINARY SURVEYS FOR STRATEGIC AIR COMMAND TANKER BASES IN NORTHERN CANADA

11. *The Minister of National Defence* said that the United States Air Force had requested permission to examine a number of sites in the north with a view to establishing facilities for aerial refuelling squadrons from which the tanker aircraft would operate in support of Strategic Air Command missions originating and terminating in the U.S.

By providing such bases the bomber's range would be increased, enabling it to complete its passage to target and return and, secondly, the bomber need not be held on the ground while the slower tanker was proceeding to the refuelling rendezvous. The tanker aircraft bases at Goose Bay, Harman and Thule were insufficient to satisfy the need now contemplated.

The stated requirement was for 11 bases to be located about 1500 miles ahead of the main SAC bases in the U.S. The U.S.A.F. had already included in its 1958-59 construction programme $150 million for the initial funding of the project but it was anticipated that the whole project would cost much more than this. To save time and to avoid setting the programme back, it was desired to survey sites this summer to develop realistic costs for future planning. The programme as such would be placed before the Permanent Joint Board on Defence in due course.

The Minister recommended, with the concurrence of the Chiefs of Staff, that approval be given for these surveys without prejudice to subsequent consideration and decision by the government with regard to location and operation of the facilities and to any terms and conditions required for their control, tenure, etc.

An explanatory memorandum had been circulated.

(Minister's memorandum, June 11, 1956, Document D7-56†).

12. *Mr. Campney* added that probably the principal reason behind the request was the fact that pressure was being put on the U.S. to leave some of their SAC bases abroad, for example, in Iceland, North Africa and Okinawa. Each base would require 9,000 foot runways and would be capable of handling 40 tankers in two squadrons.

13. *During the discussion* the following points emerged:

(a) SAC's need for tanker bases would not be so great once it was completely equipped with B52 bombers. However, this would not happen for a few years yet and meanwhile SAC would have to continue to operate with B47's. While the request involved 11 bases there was a good possibility that this number might be reduced. Any bases that were developed for this purpose might have some residual value when they were no longer required, as would be the case when the intercontinental ballistic missile was in operation.

(b) Refusing the request would probably lead to considerable difficulties with the U.S. authorities. Although SAC had not been assigned to NATO, its deterrent effect was the most important single element in the defences of the organization. It had been clearly implied in the past that one of Canada's roles in NATO was to support the strategic bombing effort of the U.S.

(c) Some of the bases in which the U.S.A.F. had shown interest included Namao, Churchill, Coral Harbour and others, depending on their distance from the main bases in the U.S. If the programme were ultimately refused, the Russian position would be much improved in that Russian defences could then be concentrated against attacks which could only come from certain directions whereas now the Russian defensive problem was a very difficult one because of the existing U.S. bases spread pretty well around the world. Another problem to be kept in mind was the fact that the Russians had overtaken the U.S. in the development of long-range bombers. These increased tanker facilities would help to strengthen U.S. effort in the field.

(d) If tanker facilities were established in Canada it would not be long before requests were made for bomber bases themselves. It was stated, on the other hand, that no nuclear bombs could be removed from the U.S. without Presidential approval, hence the chance of requests which would involve the storing of these weapons in Canada would appear to be unlikely. Furthermore, they would probably be able to operate more efficiently from existing bases in the U.S. with refuelling taking place over Canada.

(e) Agreeing to the request meant approval ultimately of the stationing of thousands of U.S. personnel at various bases in Canada and the present was not the time to embark on such a course. It was said, on the other hand, that a decision to permit the surveys would not imply approval at this stage of the overall project. The need for such bases was difficult to dispute and a decision to refuse the request would be a very serious one.

(f) SAC bases would continue to be located in Iceland and North Africa for some time, although there were fairly clear signs that they might have to be removed in the future. The proposal for bases in Canada was an attempt to visualize the situation some years ahead.

(g) In large measure war had been avoided because the Russians now thought that if they attacked there would be prompt retaliation by U.S. bombing forces. U.S. authorities were concerned with the possibility of interference with the maximum effectiveness of the deterrent. If SAC were forced to withdraw from some of its existing bases closer to the U.S.S.R., the U.S. authorities would want it known publicly that compensating arrangements were being made to maintain the effectiveness of the deterrent. It seemed necessary to make a choice between maintaining the effectiveness of the deterrent and a serious domestic political problem arising from a large increase in U.S. facilities and personnel in Canada. There would be serious consequences if Canada contributed to a lessening of the free world's strength.

(h) The problem might be dealt with at the moment, though it would only mean postponing decisions until later, by confining the surveys to existing airfields and by having them made a Canadian undertaking in cooperation with U.S.A.F. officers concerned. This possibility might be discussed between service authorities of the two countries and the reaction of the U.S. obtained.

14. *The Committee* noted the report of the Minister of National Defence on the request of the United States Air Force to examine potential sites for aerial refuelling bases and agreed to recommend that the U.S. authorities be informed:

(a) that Canada would be prepared to investigate, in cooperation with the appropriate U.S.A.F. officers, what existing airfields might be made suitable for this purpose; and

(b) that it would be undesirable to proceed with any preliminary arrangements for new airfields and related facilities until after the investigation in (a) above had been completed and a report made thereon.

. . .

107. **PCO**

Extrait du procès-verbal de la réunion
du Comité du Cabinet sur la défense

Extract from Minutes of Meeting of Cabinet Defence Committee

TOP SECRET [Ottawa], February 6 and 7, 1957

Present:
The Prime Minister (Mr. St-Laurent), in the Chair,
The Minister of Defence Production (Mr. Howe),
The Minister of National Defence (Mr. Campney),
The Minister of National Health and Welfare (Mr. Martin),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Finance (Mr. Harris).
The Minister of Northern Affairs and National Resources (Mr. Lesage)
- for the meeting on February 6th
The Parliamentary Assistant to the Minister of National Defence (Mr. Paul T. Hellyer).
The Secretary (Mr. Martin),
The Military Secretary (Captain Lucas).
The Chairman, Chiefs of Staff (General Foulkes),
The Chief of the Air Staff (Air Marshal Slemon),
The Chief of the General Staff (Lieutenant-General Graham),
The Chief of the Naval Staff (Vice Admiral DeWolf),
The Chairman, Defence Research Board (Mr. Zimmerman).
The Secretary to the Cabinet (Mr. Bryce),
The Deputy Minister of National Defence (Mr. Miller),
The Deputy Minister of Defence Production (Mr. Golden),
The Deputy Under-Secretary of State for External Affairs (Mr. Macdonnell),
The Assistant Deputy Minister of Finance (Mr. Plumptre),
The Assistant Secretary of the Treasury Board (Mr. MacNeill).
The President of the National Research Council (Dr. Steacie)
- for the meeting on February 7th.

. . .

II. U.S. AIR FORCE REQUEST FOR TANKER BASE FACILITIES IN CANADA (PREVIOUS REFERENCE JUNE 13, 1956)

3. *The Minister of National Defence* said that the investigations of the bases for aerial refuelling had been made and the requirements estimated. The U.S. had now indicated that they wished to consider development of only nine locations. In order of priority, these were at Frobisher Bay, Churchill, Cold Lake, Namao, Coral Harbour, Knob Lake (old site), Great Whale River, The Pas, and Fort Chimo.

For financial reasons development of the first four only was considered possible by the U.S.A.F. in the immediate future, and authority to expend $40 million for this purpose was being sought. However, the U.S.A.F. considered it desirable to undertake engineering studies of the remaining five to prepare realistic construction estimates. Meanwhile, subject to the approval of Canada and the availability of funds, it was proposed to construct facilities at the first four during the forthcoming summer season.

The work considered to be necessary would consist of reinforcing and extending one runway at each site up to 10,000 feet in length and providing fuel storage, parking space, taxiways, etc. nearby. Communications and navigational aids would also have to be augmented to meet U.S.A.F. operational requirements. Each base would be prepared to handle 40 tanker aircraft on occasions. One full-scale exercise employing this number would be held each year on each base and, in addition, six tankers would be staged through such bases once or twice yearly to rotate the fuel. Refuelling exercises in Canada would be cleared in advance and scheduled at mutually satisfactory periods. All training manoeuvres would be conducted in accordance with Canadian regulations and Overflight Agreements. A small holding detachment composed of servicemen and civilians would be required at each location continuously. During exercise periods, permanent detachments would be augmented by a mobile support unit of 310 ground crew and 280 flying personnel. Little, if any, additional living accommodation would be required at the four bases presently considered.

The Chiefs of Staff had concluded that the provision of these facilities would considerably increase the effectiveness of the U.S. Strategic Air Force and that, since the support of SAC was one of the main Canadian responsibilities to NATO, the requests should be met. The requirement was a limited one in time and was expected to cover the period until longer range bombers were available. Ultimately the development of these bases would provide useful facilities for the development of northern Canada.

4. *The Minister* recommended that the establishment of four tanker bases at Frobisher, Churchill, Cold Lake and Namao be approved and that the U.S.A.F. be authorized to conduct detailed studies for the expansion of facilities, if required, at the remaining five airfields at Coral Harbour, Knob Lake, Great Whale River, The Pas and Fort Chimo. The terms and conditions, including requirements of Canadian procurement and construction, etc., would, if the programme were authorized, be subsequently negotiated with the U.S. government and agreed to by an exchange of notes.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 28, 1957 — Document D1-57†).

5. *During the discussion* the following points emerged:

(a) When the proposal had been previously considered, it had been thought desirable to have these bases established as far away from the main centres of population as possible. Namao was relatively close to Edmonton, and in the circumstances it would be helpful if this particular base could be dropped from the list. Cold Lake was quite close to it and would likely serve the needs envisaged for both it and Namao. It was pointed out, on the other hand, that the committee had decided originally that so far as possible these facilities should be established only at existing R.C.A.F. or other government airfields. Namao was one of these. In addition, to mount an attack as quickly as possible, it was necessary to limit the number of tankers to 40 per base; otherwise, the total number required would take too long to get into the air.

(b) It would be desirable to make a condition of meeting the request that procurement and construction would be undertaken through Canadian departments and agencies employing Canadian contractors and not leave this to be the subject of later negotiation.

(c) The proposal involved no cost to Canada and contributed materially to the effectiveness of SAC. It was difficult, therefore, not to agree to it. However, it would mean that Canada was becoming still more closely associated with what the Russians regarded as the greatest threat to their security. There was increasing evidence that the Russians were coming to the conclusion that the U.S. would not start a war. Even so, the danger of "brush fire" wars had if anything increased, and the line between one of them and a full-scale war was becoming more shadowy.

(d) The U.S. was anxious to effect greater integration with Canada in fields such as this and in operational control, for example, but did not appear able to extend integration into the field of defence production. Canada should press the U.S. authorities to adopt equipment we produced.

(e) Because of financial considerations, there was some doubt that the U.S. would decide to develop facilities at the remaining five of the airfields mentioned. However, they did feel that detailed studies would be helpful at this stage. In this connection, the taking of provincial crown lands, if any were necessary, without consultation with provincial authorities, should be avoided. In most of the five cases, the necessary land was available, but steps should be taken to avoid unfortunate incidents with any province in the event that more was needed.

6. *The Committee* noted the report of the Minister of National Defence on the status of the request of the United States Air Force for tanker base facilities in Canada, and agreed to recommend:

(a) that the United States Air Force be authorized to establish, for occasional use, four such bases at the R.C.A.F. airfields at Frobisher, Churchill, Cold Lake and Namao, on the understanding that procurement and construction would be undertaken through Canadian Government departments and agencies employing Canadian contractors; and

(b) that, in conjunction with the R.C.A.F., the United States Air Force be authorized to conduct detailed engineering studies for the possible expansion of facilities at the five airfields at Coral Harbour, Knob Lake (old site), Great Whale River, The Pas and Fort Chimo, on the understanding that no provincial crown lands would be taken for the purpose indicated without prior consultation, as appropriate, with the provincial authorities concerned.

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SECTION E

COMMANDEMENT AÉRIEN STRATÉGIQUE : SURVOLS
STRATEGIC AIR COMMAND: OVERFLIGHTS

108. DEA/50195-40

L'ambassade aux États-Unis
au secrétaire d'État aux Affaires extérieures

Embassy in United States
to Secretary of State for External Affairs

TELEGRAM WISER-53 Washington, October 1, 1956

WISER TOP SECRET. MOST IMMEDIATE.

REQUEST FOR OVERFLIGHT

Farley asked us to call on him this afternoon to seek permission for five SAC B-47's carrying nuclear weapons to overfly Canadian territory on October 5. These aircraft are returning to the United States from their base at Lakenheath, England. They intend to fly over Labrador and refuel in mid-air near Sault St. Marie. He told us that a detailed flight plan will be filed in accordance with the agreed procedure. He further told us that this is a "Y" type flight as defined in Schedule B of Order-in-Council PC2307 of April 17, 1952.[77]

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109. DEA/50195-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassade aux États-Unis

Secretary of State for External Affairs
to Embassy in United States

TELEGRAM 39 Ottawa, October 2, 1956

WISER TOP SECRET. IMMEDIATE.
Reference: Your Wiser 53 October 1, 1956.

REQUEST FOR OVERFLIGHT

Overflight programme of five SAC B-47 bombers as outlined in your Wiser 53 approved. We note flight plan will be filed in accordance with agreed procedure.[78]

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110. DEA/50195-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM WISER-54 Washington, October 10, 1956

WISER TOP SECRET. IMMEDIATE.

REQUEST FOR OVERFLIGHT

Farley asked us to call on him this afternoon to obtain the concurrence of the Canadian Government to the overflight of two groups of B-36's late on October 17.

2. The first group, consisting of twelve B-36's, will be flying to the United Kingdom, entering Canada over Michipicoten Island, Lake Superior, flying across the southern end of Hudson's Bay, and leaving Canada at Lok's Island, Labrador. This group will be carrying nuclear components and non-nuclear components, packaged separately.

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[77] Les vols de type « Y », mot chiffré « Openhouse », sont définis comme des « routine flights carrying nuclear components for stockpiling, testing or training and using bases in Canada or overflying Canadian territory. This category covers the case where no strike is contemplated in the immediate future ». Voir A.D.P. Heeney, note à l'attention de M. Ritchie, 11 mars 1957, ambassade de Washington, Dossier 3-2-2-12, RG 25, volume 3094.

"Y" type flights, codeword "Openhouse", are defined as "routine flights carrying nuclear components for stockpiling, testing or training and using bases in Canada or overflying Canadian territory. This category covers the case where no strike is contemplated in the immediate future." See A.D.P. Heeney, Memorandum for Mr. Ritchie, 11 March 1957, Washington Embassy File 3-2-2-12, RG 25, Volume 3094.

[78] Note marginale :/Marginal note:

Farley informed upon receipt. I asked that they expedite flight plan and he said will do. [F. Tovell]

3. The second group will consist of thirty-two B-36's flying directly to Morocco. It will enter Canada at Presque Isle, Maine, and fly over Argentia, Newfoundland. Of this group, eighteen are carrying nuclear components and non-nuclear components, packaged separately, and fourteen are carrying only nuclear components.

4. Both groups of flights are therefore of "Y" type.

5. Farley assured us that the required flight plans will be filed with the RCAF in sufficient time.

[A.D.P.] HEENEY

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111. DEA/50195-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM 40 Ottawa, October 12, 1956

WISER TOP SECRET. IMMEDIATE.

Reference: Your Wiser 54 October 10.

REQUEST FOR OVERFLIGHT

Overflight programmes of twelve B-36's to UK and thirty-two B-36's to Morocco on October 17 as outlined in your Wiser 53 approved.[79]

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112. DEA/50195-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM WISER-55 Washington, November 19, 1956

WISER TOP SECRET. IMMEDIATE.

REQUEST FOR OVERFLIGHT

Elbrick called me in this afternoon to request the concurrence of the Canadian Government to the overflight of a group of 72 B-47's on November 29 and 30 over an area covering parts of Ontario, Quebec and the Maritime Provinces; no entry or exit points were designated. The same aircraft will be returning to their base in the United States between December 3 and 5 inclusive. Both these flights are of Y-type. Elbrick did not disclose the ultimate destination of the aircraft, but did say that the proposed flight is not, repeat not, related to the present emergency. The State Department appeared to have no further details.

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[79] Note marginale :/Marginal note:
Farley informed by telephone. [F. Tovell]

2. I was assured that the required flight plans will be filed through Service channels in sufficient time. Presumably further information can be obtained through these channels.[80]

[A.D.P.] HEENEY

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113. DEA/50195-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM WISER-56 Washington, May 28, 1957

WISER TOP SECRET. PRIORITY.

REQUEST FOR OVERFLIGHT

Farley asked us to call on him this afternoon to obtain the concurrence of the Canadian Government to the overflight of two separate groups of flights of the Y type, as follows:

(1) Operation Sharp Point (USAF code name only), consisting of 12 B-47's on June 27, and 12 B-47's on June 28, both groups flying identical routes to the U.K. They will enter Canadian air space over Fort Kent, New Brunswick, and leave at Hawke Harbour, Labrador.

(2) Operation Devil Tail (USAF code name only), in two parts as follows: (a) 15 B-47's on July 1, entering Canadian air space at the Washington-Montana-British Columbia border, and leaving at a point on the Yukon-Alaska border just north of Canyon City. The final destination of this flight is Eielson Airfield, Alaska.

(b) 15 B-47's on July 2, entering Canadian air space over Fort Kent, New Brunswick, and leaving at Jack Lane Bay, Labrador, with the ultimate destination Thule, Greenland.

2. Farley said that all these aircraft will be carrying nuclear components and non-nuclear components, packaged separately, and the flights are of a routine and rotational nature. He assured us that the detailed flight plans will be filed through service channels in sufficient time.

[N.A.] ROBERTSON

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114. DEA/50195-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM WISER-41 Ottawa, May 31, 1957

WISER TOP SECRET. PRIORITY.

Reference: Your Wiser 56 May 28, 1957.

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[80] Note marginale :/Marginal note:
Nov 23—8 p.m. Barton 'phoned OK, subject to filing of flight plans.' Passed OK to Farley. [F. Tovell]

REQUEST FOR OVERFLIGHT

Overflight programmes of 24 B-47's to UK and 30 B-47's to Alaska and Greenland as outlined in your referenced telegram have been approved by the Canadian Government. Please advise USA authorities.[81]

SECTION F

LE RÉSEAU D'ALERTE AVANCÉ
DISTANT EARLY WARNING SYSTEM

115. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

TOP SECRET [Ottawa], January 11, 1956

Present:
The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Registrar of the Cabinet (Mr. Halliday).

. . .

D.E.W. LINE; RE-SUPPLY OF WESTERN ARCTIC

10. *The Minister of Transport* recalled that in the arrangements made with the United States on the establishment of the D.E.W. Line, it had been stipulated that Canadian commercial carriers would be given every possible opportunity to participate in the movement of materials, equipment, etc. during the construction phase. It was understood that the same situation would apply during the operational period.

Through the Permanent Joint Board on Defence, Canada had been requested to consider the maximum development of the Mackenzie River route for the distribution of supplies as far to the east and to the west of the river as practicable. The object was to avoid the necessity of a convoy around Point Barrow — a very dangerous operation performed by the U.S. in 1955 at high cost. As a result, a plan had been worked out and discussed with the U.S. authorities involving the supply by Canadian agencies of all western Canadian Arctic sites and most eastern Alaskan ones. Commencing in 1957, it was proposed that approximately 5 million gallons of petroleum products and dry cargo for 2 Alaskan and 25 Canadian sites be carried by Canadian commercial operators, and that the barge movement down the Mackenzie River carried out by the Northern Transportation Company would be extended. In addition, it was proposed that a number of stations would be serviced by five U.S.-owned vessels to be entrusted to a Canadian commercial company.

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[81] Note marginale :/Marginal note:
Farley informed by telephone 3/6/57 [F. Tovell]

U.S. officials concerned had subsequently suggested that the Canadian government assume logistic responsibility for re-supplying these D.E.W. sites because it would be illegal for the U.S. government to transfer government-owned vessels to a foreign private company. Since this type of ship could only be obtained in the U.S., the alternative would be to have the transportation undertaken by the U.S. government, but this would make that government the major provider of sea transportation in the Canadian western Arctic. In the circumstances, it had been concluded that Canada should assume the responsibility for this sea supply operation.

The Minister recommended at the suggestion of the Advisory Committee on Northern Development, that Canada undertake the development of the western Arctic sea supply to the D.E.W. Line bases from Barter Island eastward by way of the Mackenzie River route, on a reimbursable basis, with five special ships required being provided from U.S. sources. It was also proposed that the Northern Transportation Company be designated the agency responsible for the work.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 10, 1956 — Cab. Doc. 5-56†)

11. *During the discussion* the following points emerged:

(a) The proposal was a sensible one in that Canadian organizations and personnel would be working on Canadian territory, and, at the same time, relieving the U.S. of a task which it did not wish to undertake. It would be a better arrangement still from some points of view if Canada were to bear the cost of the operation.

(b) It was unfortunate that more and more U.S. forces were being stationed at bases on Canadian soil. However, there was no alternative to this trend unless Canada undertook the responsibility for manning and operating all joint defence projects on Canadian territory. From this point of view the proposal was about as good as could be expected.

(c) Relations between some private transportation companies on the Mackenzie River and the Northern Transportation Company could be improved. It was thought by some that the latter maintained high rates in an effort to keep these private firms in business. It would be helpful if they could have a share of the work of re-supplying the D.E.W. Line stations.

12. *The Cabinet* approved the recommendation of the Minister of Transport and agreed,

(a) that the United States be informed that Canada would be prepared to assume responsibility for development and organization of western Arctic sea supply to the D.E.W. Line from Barter Island eastward by way of the Mackenzie River route on the understanding,

(i) that certain necessary vessels for the lateral movement suitable converted be provided from U.S. sources;

(ii) that Canada would be re-imbursed by the United States for the costs incurred in the supply of the D.E.W. Line stations;

(iii) that the supply of the D.E.W. Line stations would be integrated, on a basis to be agreed, with the supply of settlements and general civil carriage along the Canadian portion of the coast; and,

(b) that the Northern Transportation Company be designated as the Canadian agency for planning and organization of the undertaking on the understanding that, in the operation of the larger vessels required for the lateral movement from the mouth of the Mackenzie River, the greatest practicable use would be made of Canadian commercial carriers with experience in the Arctic.

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116. DEA/50210-C-40

Le sous-secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Under-Secretary of State for External Affairs
to Ambassador in United States

LETTER C-130 Ottawa, February 7, 1956

CONFIDENTIAL

DEW LINE

A completely unauthorized operation in Canadian territory by Alaska Freight Lines, Inc., to carry freight to DEW Line, has been a matter of concern to Ministers. The attached copy of a letter of January 25† from Mr. Lesage to Mr. Pearson gives the essential facts. Briefly, Alaska Freight Lines have — without making any attempt to secure the necessary authorization — brought men, equipment and fuel from Alaska to Norman Wells. It is their intention to construct several hundred miles of winter road in order to make deliveries to DEW Line sites as far east as Boothia Peninsula.

2. An inter-departmental meeting chaired by the Deputy Minister of Northern Affairs was held on January 30 with representatives of Western Electric and Alaska Freight Lines, who were told in forthright terms that their failure to give advance information as to the operation they proposed to conduct and the route they wished to follow, as well as their apparent failure to comply with federal and territorial laws and regulations (e.g., customs, immigration, territorial fuel taxes, firearms, and welfare of Indians and Eskimos) could not be accepted. The Canadian officials who spoke made it clear that this ignoring of the boundary could, if used by critics of Canadian-United States co-operation, develop into an incident of some magnitude. The Canadian Government, they were told, is anxious to extend all possible help in connection with the DEW Line but the law must be observed.

3. The attitude of the officials of Western Electric and Alaska Freight Lines was one of fairly abject apology. They claimed that they had no intention of ignoring the Canadian Government or of not complying with Canadian law and the only explanation they could offer was that Alaska Freight Lines had assumed that in some unexplained manner someone else had cleared this operation with the Canadian Government. They undertook to leave officials in Ottawa to provide the information required by government departments, and this has been helpful in clearing up misunderstandings and regularizing the activities of the company.

4. Since the meeting it has been ascertained that Alaska Freight Lines did apply for a Northwest Territories business licence in October and, in connection with it, had to establish satisfactory compliance with the Workmen's Compensation Ordinance. They have had a Yukon business licence for some years and for that too have to demonstrate compliance on workmen's compensation. They had thus qualified to do business in Canada, and to this extent paragraphs seven and eight of Mr. Lesage's letter might be modified slightly, and also paragraph nine. However, the licences were routine and general, and did not bring up the question of the particular operation it was proposed to conduct.

5. You are instructed to bring this matter orally to the attention of the State Department with a view to making clear the serious concern felt by Ministers. Had authority been sought in advance it would have been granted, due care being taken to see that Alaska Freight Lines made suitable arrangements to comply with applicable laws and regulations. The objection is not to the movement of freight this season by Alaska Freight Lines but to their failure to give adequate recognition to the existence of Canadian law. As things developed, it was necessary to tell Alaska Freight Lines to stop their operations while their activities up to that time were examined and, so far as possible, regularized. This was done as a matter of urgency and the government departments concerned made every effort to straighten out the tangle quickly. Sufficient progress had been made that the Minister of Northern Affairs stated on February 2 that he felt authority could be given to continue operations. There is every recognition here of the importance of supplying the DEW Line. However the State Department will appreciate, we believe, that an incident of this sort is not only an embarrassment in itself but could, if exploited, become an irritant in Canada-United States relations out of all proportion to its size.

R.M. MACDONNELL
for Under-Secretary of State
for External Affairs

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117. DEA/50210-C-40

Le ministre des Transports
au secrétaire d'État aux Affaires extérieures

Minister of Transport
to Secretary of State for External Affairs

Ottawa, March 23, 1956

My dear Colleague:

I believe the attached letter, which I am addressing to the Minister of Defence Production regarding supply of the DEW Line in the western Arctic during the operational phase, speaks for itself. I trust you will be in agreement with the views put forward.

Sincerely yours,
G.C. MARLER

[PIÈCE JOINTE/ENCLOSURE]

Le ministre des Transports
au ministre de la Production pour la défense

Minister of Transport
to Minister of Defence Production

[Ottawa], March 26, 1956

My dear Colleague:

This letter, which I am afraid is rather lengthy, deals with a problem that has arisen regarding the sea supply of the DEW Line in the western Arctic once the construction phase has ended and the line becomes operational in 1957.

Late last year the United States, which foresees great difficulty in the matter of sea supply from Seattle around Point Barrow, Alaska, because of difficult weather and ice conditions and the long route, asked if the Canadian authorities could devise an alternative system of supply, possibly based upon the MacKenzie River. We felt that this approach was in conformity with the agreement between Canada and the United States regarding use of Canadian materials and transportation agencies wherever feasible.

As a result of this request, my officials, in conjunction with other departments and in particular with the assistance of Northern Transportation Company and Imperial Oil Company, made a very exhaustive study of the whole problem and submitted a plan based upon development of the MacKenzie River water route for transportation of supplies and their distribution from the mouth of the MacKenzie River by lateral movement to the western Arctic DEW Line sites. Most of the fuel oil would have been provided directly from Norman Wells with limited additional amounts coming from Edmonton. Northern Transportation Company would have stepped up its activities on the MacKenzie River and would have constructed oil storage facilities at the mouth of the river for trans-shipment purposes. My own Department has already initiated a programme for increasing aids to navigation on the river for this purpose and the Department of Public Works is planning the construction of a wharf at the mouth of the MacKenzie as well.

In principle the idea seemed to be acceptable to the United States, which was in addition however requested to provide certain shallow draft tankers and dry-cargo vessels for use from the mouth of the MacKenzie laterally to the western Arctic DEW Line sites, since their naval reserve was the only source where vessels of this sort were readily and quickly available. Northern Transportation Company was to act as the overall co-ordinator and they agreed to undertake the operation on the basis of cost plus ten percent, as I understand it.

My Deputy Minister has received recently a letter† from the United States military member on the Permanent Joint Board on Defence, indicating that they are not satisfied with this proposal and wish to defer implementation of any scheme of this sort until at least 1958 (the second year after the DEW Line becomes operational); and that they have some reservations on the economics of our proposal, suggesting that it might be more costly to them than use of their own military naval forces for movement around Alaska. This letter has caused our Department, and I believe a number of other departments who are keenly interested in the development of the MacKenzie River project, considerable concern. To begin with, it does not contain any detail as to the economic difficulties the United States foresees, and we find it hard to believe that on a fully allocated cost basis, our scheme could be more expensive than sea convoy from Seattle around Alaska, — although it might be in terms of direct out-of-pocket expenditures if the United States was relying on using naval forces for this purpose.

It is the case also that if the sea convoy is used in the first year of regular operation of the DEW Line, it might be very difficult to return to the project of the MacKenzie River route the following year. On the other hand, it might also be the case that the United States could not supply the necessary shallow draft tankers for the Arctic lateral movement in time for this year's operation, since they would have to be moved in this year and wintered in for use in 1957. There is, however, no indication that this is the reason for their request for delay.

Quite apart from this, we have the feeling that the line of argument advanced by the United States communication appeared to disregard the general principles which we thought had been agreed as applicable in the operational phase of the DEW Line just as in the construction phase, namely, use of Canadian materials and Canadian supply agencies wherever feasible. The plan we advanced was based upon use of Canadian fuel oil and gasoline and the use of Canadian transportation agencies. The United States suggestion of convoy out of Seattle, while the only feasible method during the construction phase, certainly does not involve any Canadian materials or transportation agencies.

It has occurred to me that on the forthcoming trip which you are making along with Mr. Campney and Mr. Pearson, as well as senior United States governmental representatives, to some of the DEW Line sites, you might find an opportunity to take this matter up, since I believe it is one of considerable importance to Canada. If you agree, we should take the line that we feel quite strongly that the MacKenzie River route plan should be put into effect in the general interests of Canada and in accordance with the spirit of our understanding regarding the operation of the DEW Line.

Sincerely yours,
[G.C. MARLER]

118. DEA/50197-C-40

Extrait du procès-verbal de la réunion du Comité consultatif sur le développement du Nord

Extract from Minutes of Meeting of Advisory Committee on Northern Development

SECRET [Ottawa], April 16, 1956

Present:

Mr. R.G. Robertson, Deputy Minister of Northern Affairs and National Resources (Chairman)
Commissioner L.H. Nicholson, Royal Canadian Mounted Police
General A.G.L. McNaughton, Chairman, Canadian Section, P.J.B.D.
Mr. A.H. Zimmerman, Chairman, Defence Research Board
Mr. E.A. Golden, Deputy Minister of Defence Production
Mr. J.R. Baldwin, Deputy Minister of Transport.
Mr. R.M. Macdonnell, representing the Under-Secretary of State for External Affairs
Dr. H.B. Hutcheon, representing the President, National Research Council
Major J. Morrison, representing the Secretary to the Cabinet
Mr. G.W. Stead, representing the Deputy Minister of Finance
Dr. G.S. Hume, representing the Deputy Minister of Mines and Technical Surveys
Brigadier R.P. Rothschild, representing the Chairman, Chiefs of Staff
Dr. P.E. Moore, representing the Deputy Minister of National Health
Mr. G.W. Rowley, Department of Northern Affairs and National Resources (Secretary)

. . .

II. U.S.A.F. D.E.W. LINE LOGISTIC PLAN

19. *Mr. Loughead* reported that on April 3 a meeting had been held in the office of the Deputy Minister of National Defence to discuss the latest version of the U.S.A.F. Logistics Plan. Two aspects of the plan — procurement and transportation — had seemed unsatisfactory from the Canadian point of view. The plan indicated that the south-north movement of supplies by both sea and air would take place on the eastern and western extremities of the line through established U.S.A.F. channels. It did not mention the possibility of using the MacKenzie River system, of using Canadian airfields other than Frobisher, or of Canadian participation in the sea supply of the eastern part of the line except in Foxe Basin. The plan for procurement of supplies was to employ U.S.A.F. channels, which presumably would exclude any significant Canadian participation. A meeting had been arranged between the Department of Defence Production and the U.S.A.F. to discuss procurement; the Department of Transport was re-examining the cost of using the MacKenzie River system and would then discuss the transportation plan with the U.S.A.F. The Department of National Defence had passed to the United States various editorial comments made by Canadian departments while making it clear that the Plan had not yet been approved in principle.

(Secretary's memorandum Document ND-169 dated April 12, 1956†).

20. *Mr. Robertson* reported that Mr. Howe and Mr. Lesage had discussed the use of the MacKenzie River system with Mr. Wilson and Mr. Quarles during their recent D.E.W. line tour. As a result the U.S.A.F. had been instructed to re-examine the matter, and Canada had agreed to see if costs for oil at Norman Wells and for distribution to sites could be reduced. When this information had been assembled a meeting would be held between U.S. officials and representatives of interested Canadian departments.

21. *Mr. Golden* reported that Mr. Ruck of the Department of Defence Production would be discussing the procurement problems with U.S. officials on 18 April.

22. *Mr. Baldwin* said the Department of Transport had written to the U.S.A.F. asking for more information about the plans for transportation, and particularly about the basis on which the cost of sea supply to the Western Arctic round Alaska had been calculated.

23. *Mr. Macdonnell* expressed concern at the postal arrangements indicated in the Logistics Plan. These would result in mail to and from the D.E.W. line being routed through U.S. Army post offices in the United States. The Department of External Affairs considered this undesirable and had requested the Department of National Defence to re-examine these arrangements with the U.S.A.F.

24. *Mr. Loughead* reported that the Department of National Defence had informed the U.S.A.F. that the arrangements for postal services would have to be reconsidered in consultation with the Canadian Postal Service.

25. *The Committee* noted the report on the proposed U.S.A.F. Logistics Plan for the D.E.W. line.

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119. DEA/50210-C-40

Note du secrétaire du Comité consultatif sur le développement du Nord pour le Comité consultatif sur le développement du Nord

Memorandum from Secretary, Advisory Committee on Northern, Development to Advisory Committee on Northern Development

DOCUMENT NO. ND-172 [Ottawa], May 22, 1956

CONFIDENTIAL

RE-SUPPLY OF THE D.E.W. LINE

On 17th May a meeting was held between Major-General J.B. Doyle, Director of Transportation, HQ. USAF, other U.S. officers concerned with the logistic support of the D.E.W. line, and representatives of Canadian government agencies with responsibilities relating to northern development. The meeting was chaired by the Deputy Minister of Transport, and had been called to discuss sea and air transportation in the operating phase of the Distant Early Warning line. The three main subjects considered were:

(a) the use of the Mackenzie River route;

(b) sea supply to the Eastern Arctic;

(c) air supply.

The cost figures for supply by sea through Bering Strait and for the Mackenzie River route, which had been forwarded to Canada in a letter dated 26th April from the United States Section of the Permanent Joint Board on Defence, were reviewed. The meeting agreed that the figures for the two routes were not on a common basis and therefore not comparable. After detailed examination had shown that the differences in cost between the two routes would not be as great as the figures had indicated, the U.S. representatives, though expressing some concern at the procurement cost, announced their intention of recommending the use of the Mackenzie River system for the supply of the Distant Early Warning line sites in the western Canadian Arctic, subject to annual review. It was agreed that a letter would be sent to the United States through P.J.B.D. channels, containing revised figures, on which formal agreement on the use of the Mackenzie River route could be based.

The Canadian interest in undertaking the annual sea supply of both the Foxe Basin and Baffin Island elements in the Eastern Arctic was discussed. The U.S. representatives stated that they would like this to be undertaken so far as possible by Canadian shipping. The advantages which might be gained by integrating supply operations in the Canadian north under Canadian control were discussed. It was agreed that the United States would provide information on the quantity and types of shipping that they recommended, and that the Department of Transport would determine how far these might be met from Canadian sources.

In the logistics plan it had been made clear that the lateral air supply would be carried out by Canadian commercial operators but there had been some doubt as to the meaning of the paragraphs relating to periodic and annual air supply. The U.S. representatives explained that annual supply was an extension of the annual sealift to carry by air the annual supply to those sites which could not be reached by sea. There were seven such sites, five of which would probably be served by air from Hall Lake and the other two from Frobisher. It was indicated that this air movement would be phased over a long period rather than concentrated immediately after the sea supply. Most of the tonnage would be diesel fuel, and tanker aircraft might be necessary. With reference to periodic air supply, the U.S. representatives explained that their technical supply procedures made it essential that technical equipment for the line be supplied from Alaskan Air Command and Northeast Air Command depots at Ladd Field and either Frobisher, Goose Bay, or Fort Pepperrell respectively. For this reason the periodic supply would need to include regular flights to the main stations from these depots. However, a large part of the periodic supply would consist of food and other non-technical items which would come from the south and might possibly be procured in Canada, while most of the personnel manning the line would be recruited in Canada. It appeared likely therefore that the contractor would need to establish regular flights from the airfields in southern Canada to the main stations, and the U.S.A.F. would examine this with the intention of adopting it as part of the transportation pattern if it were practicable. The representative of the Air Transport Board offered the complete co-operation of the Board, mentioned the possibility of establishing Class II scheduled services, and pointed out the value of regular north-south services in maintaining the air operators who would be engaged in the lateral communications.

G.W. ROWLEY

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120. PCO/C-20-9(a)-D

Note du ministre de la Défense nationale
pour le Comité du Cabinet sur la défense

Memorandum from Minister of National Defence
to Cabinet Defence Committee

DOCUMENT NO. D-19-56 [Ottawa], December 12, 1956

TOP SECRET

OPERATION OF THE DISTANT EARLY WARNING SYSTEM IN CANADA

1. It will be recalled that at a meeting of the Cabinet on 6 July, 1955,[82] it was agreed that there would be no objection to the United States manning and operating the portion of the

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[82] Voir/See Volume 21, Document 333.

Distant Early Warning Line in Canada for the first three years of its operation, on the understanding that, within that period, Canadian wishes regarding its future participation in manning and operation of the Line would be made known. As the Distant Early Warning Line will go into operation in 1957, this three-year period will extend from 1957 to 1960.

2. At the 111th meeting of the Cabinet Defence Committee held 13 August 1956, the committee reviewed a statement in the July 1956 Journal of the Permanent Joint Board on Defence as follows: "It was urged that Canadian authorities be encouraged to reach a decision at the earliest possible time as to the date when they wished to assume responsibility for the continuing operation of the Distant Early Warning Line in Canada". The question was discussed briefly and then deferred to a later meeting.

3. Three considerations may have prompted the United States to take this position at the meeting of the Permanent Joint Board on Defence:

(a) to re-emphasize that they are not undertaking this task in Canada by preference and that they would be very happy to have Canada undertake it for them;

(b) the need to develop long-term plans and programmes and for the completion of contractual arrangements with its civilian operating agents. Since these plans must take account of the Canadian Government's wishes respecting participation in the manning and operation of the Distant Early Warning Line after 1960, the United States Air Force feels that an early decision by the Canadian Government would be desirable; and

(c) the annual operating costs, exclusive of service personnel costs, is estimated to be approximately $53 million. The United States Air Force has other extremely expensive programmes for which they are endeavouring to find funds, such as the Strategical Air Command base expansion programme ($600 million), Inter-Continental Ballistic Missiles, Semi-Automatic Ground Environment and Distant Early Warning Line extensions, and they may hope that Canada will accept a higher proportion of air defence costs in Canada than in the past.

4. The first warning of attack may come from that portion of the Distant Early Warning Line in Canada. In any alarm system there is always a possibility of a false alarm. When the alarm is sounded, true or false, it could initiate the evacuation of many major United States cities and the launching of the Strategic Air Command retaliatory forces. This burden of responsibility for sounding the first alarm is a heavy one for Canada to carry.

5. The Distant Early Warning system consists of four separate command elements, comprising the Pacific seaward extension, the Alaskan segment, the Northeast segment and the Atlantic seaward extension. For greater operational efficiency, it is considered wise to have one nation responsible for the manning and operation of the entire system.

6. Canada is now making a substantial contribution to the continental defence system. By joint agreement the RCAF is manning and operating 17 of the 33 radar stations in the Pinetree System and, commencing in 1957, it will be responsible for the operation of the Mid-Canada Line. At present the RCAF is employing 3820 service personnel and 1129 civilians on the Pinetree chain, and will employ 86 service and 878 civilian personnel on the Mid-Canada Line, plus 260 on back-up. If Canada is to carry a greater share of the burden of continental air defence there are other areas such as in the expanding ground environment in the populated areas of the country where this contribution might be better made.

7. It is estimated that 600 civilian technicians and 24 service personnel will be required to man and operate the Canadian portion of the Distant Early Warning Line. The annual operating costs will approximate $53 million. The United States Air Force estimate that this amount may increase by as much as 25 per cent when more detailed data becomes

available. Any future capital requirements cannot be forecast at the present time. It is probable that there may be a requirement to improve the detection equipment, for which no estimate of costs is at present available.

Recommendations

8. It is recommended that in view of the additional costs which would have to be borne by Canada, and the implications arising out of the factors referred to above, Canada should indicate to the United States her agreement to the manning and operation by the United States of the Distant Early Warning Line for an additional three-year period beyond the initial three-year period on the same basis as has been previously agreed to. Prior to the conclusion of this additional period, the wishes of the Canadian Government concerning participation in the manning and operation of the system will be made known.

[R.O. CAMPNEY]

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121. DEA/50210-C-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

TOP SECRET [Ottawa], January 8, 1957

MANNING AND OPERATION OF THE DISTANT EARLY WARNING LINE

As a result of a submission made by the Minister of National Defence the Cabinet Defence Committee, you will recall, took certain decisions at its meeting on December 19, 1956 concerning the operation and manning in the period 1960-1963 of that portion of the Distant Early Warning Line in Canada. It was decided as well that Cabinet Defence Committee's decisions should be made known to the United States authorities at the next meeting of the PJBD.

2. There is attached a draft of a statement which might be made by the Chairman of the Canadian Section, PJBD, at the January meeting. The draft attempts to convey the general sense of the discussion which took place at Cabinet Defence Committee's meeting.

3. The Chairman, Chiefs of Staff, who has seen the attached draft has suggested that the last sentence of paragraph 3 be deleted. He believes the sentence might give rise to speculation and result in embarrassing enquiries from the United States authorities as to what other activities we had in mind. The Chairman of the Canadian Section, PJBD, is inclined to share the views of the Chairman, Chiefs of Staff. Officials in this Department, however, tend to see merit in leaving this sentence in the statement. We are unwilling to take over the manning and operation of a part of the DEW Line. We would not, however, wish the United States Government to get the impression that we are attempting to shirk our responsibilities in continental air defence. It is precisely because we do believe that there may be other more effective contributions which we can make to continental defence that we are prepared, for the moment at least, to allow the United States to operate and maintain that sizable portion of the DEW Line which is on Canadian territory.

4. I should be grateful if you could indicate whether you believe that this sentence, or some sentence expressing a similar thought, should be included in the proposed statement.[83]

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

TOP SECRET [Ottawa], January 8, 1957

POSSIBLE STATEMENT BY THE CHAIRMAN OF THE CANADIAN SECTION, PJBD

1. I should like to refer to an aspect of the operation of the Distant Early Warning Line which has been discussed from time to time in the Board, the question of future Canadian participation. This question was most recently discussed at the meeting held in July 1956 and the Journal includes the following statement:

> "It was urged that Canadian authorities be encouraged to reach a decision at the earliest possible time as to the date when they wish to assume responsibility for the continuing operation of the Distant Early Warning Line in Canada."

2. This subject has been carefully reviewed by the departments of Government concerned and has recently been considered by Ministers. As a result of this consideration I have been asked to communicate the following decision to the United States Section of the Board.

3. It is the Canadian view that conditions are unlikely to arise which would lead the Canadian Government to assume responsibility for the Canadian portion of the Distant Early Warning Line during the period from 1960 to 1963. From the standpoint of efficient operation it appears wise, for some years at least, to have one nation responsible for the manning and operation of the entire DEW system. To this factor of efficiency must be added financial and manpower considerations. Taking into account the substantial contribution which Canada is now making to the continental defence system, notably on the Pinetree chain and the Mid-Canada Line, it does not appear feasible for Canada to assume additional responsibility on the DEW Line in the 1960-1963 period. In reaching this decision the Canadian authorities have been influenced by the view that, should it be concluded in the future that any additional Canadian contribution should be made to continental defence, there are other activities which might be more effectively undertaken by Canada than the operation of the DEW Line.

4. It is of course recognized that there are manifest advantages in having each country responsible for defence arrangements and installations situated within its territory, when this proves feasible and consistent with efficient operation. With this thought in mind, the Canadian Government wishes to keep open the possibility of reconsidering, during the 1960-63 period, its present decision should changing circumstances warrant such reconsideration. In such an eventuality, the Canadian Government would give ample advance notification of its intentions.

5. Subject to the above considerations it would be understood that the operation of the Canadian portion of the Distant Early Warning Line during the 1960-63 period be continued by the United States under the same terms and conditions as it was agreed between our two Governments should govern the initial three-year period of operation of the Line.

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[83] Note marginale :/Marginal note:

I am inclined to agree that the deleted sentence should be omitted. L.B. P[earson]

These conditions were stated in the meetings of the PJBD on July 11, 1955[84] and January 16, 1956, and were set out as Appendix "A" to the Journal of the January, 1956 meeting.[85]

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122. PCO/D-28-3-D

Le secrétaire du Conseil du Trésor
au secrétaire du Cabinet

Secretary to Treasury Board
to Secretary to Cabinet

Ottawa, May 9, 1957

Dear Mr. Bryce:

At to-day's meeting the Treasury Board considered the recommendation of the Minister of Transport that approval in principle be given for the purchase of lightering equipment for the sea supply of eastern Arctic DEW Line Stations in the Foxe Basin area, contingent upon the acceptance by United States authorities of the estimate of cost for the procurement and sealift to commence in 1958, and subject also to the provision of the required funds by Parliament in the autumn and in the interim by means of the transfer between allotments procedure within the Marine Service Steamers capital vote. The Board concurred in this recommendation, subject to approval by the Cabinet.

Consideration has been given for some time, at the official level, to the Canadian Government taking on the responsibility for the sealift to the DEW Line Stations in the Foxe Basin area, north of Hudson Bay. This has culminated in the preparation of an estimate of cost by the Department of Transport for consideration by the United States authorities and has been put forward to the USAF on the basis of Canada taking over the operation commencing in 1958, on a reimbursable basis. This estimate does not include allowance for certain features, some of which would be covered by insurance or are the normal responsibilities of the Canadian Government in the north, for example, replacement of vessels in the event of loss, extraordinary damages, salvage, costs of icebreaking assistance by the Department of Transport, etc. However, the estimate does involve the acquisition and modification of certain ship to shore equipment, namely, two LCT8's and three LCM's, the capital cost of which is to be written off over a ten year period as part of the costs to be reimbursed by the United States.

In the proposal put forward to the United States authorities the urgency of an early reply was stressed in view of the fact that the Department would have to take action in June to acquire two additional LCT8's from United Kingdom sources for this purpose in time to tow them over during the summer and have them converted in time for next year's operation. The Department understands informally that the United States is expected to accept the proposal, but for usual reasons there may be some little delay before they are heard from officially. At that time it will be necessary for the Department to act very promptly and, therefore, advance Treasury Board approval was sought for immediate action at that time for acquisition of the two LCT8's.

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[84] Voir/See Volume 21, Document 334.

[85] McNaughton a lu une déclaration inspirée de cette ébauche, la dernière phrase du troisième paragraphe ayant été effacée, à la réunion de la Commission permanente mixte de défense Canada-États-Unis qui a lieu à la Barksdale Air Force Base, à Shreveport, en Louisiane, du 22 au 24 janvier 1957.

McNaughton read a statement along the lines of this draft, with the final sentence in the third paragraph deleted, at the meeting of the PJBD held at Barksdale Air Force Base, Shreveport, Louisiana, January 22-24, 1957.

No funds were included for this purpose in Departmental Estimates and it will be necessary accordingly to make the necessary provision in Estimates in the autumn, but any expenditures required for this purpose before that time could be met, it is believed, through a transfer in the vote for construction and acquisition of vessels, given approval of such a transfer. Insofar as the sealift operating and procurement costs are concerned, the Department will discuss with the United States authorities the method of payments necessary to cover the outlay that will be involved by Transport and Defence Production. Some assurance of prompt availability of funds from United States sources to meet current accounts will be necessary, and it is thought that, with prompt repayments by the United States, temporary use could be made of funds now available in the Marine Service Steamers Operating Vote for purposes of the transportation operating expenses, with reimbursements credited to that vote.

It might be noted that in January, 1956, Cabinet dealt with the resupply of the western Arctic DEW Line Stations and approved the recommendation of the Minister of Transport that Canada would assume responsibility for the sea supply of these stations by the use of the Mackenzie River system and the designation of the Northern Transportation Company as the Canadian agency for planning and organization of the undertaking, all on a reimbursable basis. While it was expected that the decision in respect of the western Arctic sea supply would permit the operation to be carried out at a lower cost and under less dangerous conditions than the method previously employed, namely, convoy around Pt. Barrow, the approved arrangement, in addition, applied to the operational period the same principle which had been followed during the construction phase of the DEW Line, namely, that Canadian commercial carriers would, to the fullest extent practicable, be afforded the opportunity to participate in the movement of materials, equipment, etc; moreover, by reason of the supply operation originating in Canada, procurement would, to a much larger degree, be made in Canada than if the operation were carried out from United States points.

If this proposal is approved by the Cabinet,[86] it will mean that the operation will be carried out directly by the Department of Transport, the annual cost of the operation being estimated at approximately $1.3 million, based on the following:

Ship to Shore Operation (Including amortization of purchase and modification costs of LCT8's and LCM's, without interest)	$ 411,000
Transportation Costs (Charter hire and stevedoring)	$ 581,020
Procurement Costs (Approximately 2.2 million U.S. gals. Avgas and Diesel oil)	$ 322,851
Total	$1,314,871

In the future it is hoped to integrate this operation as much as possible with that carried out in respect of the Mid-Canada Line supply further south in Hudson Bay and there may be resultant savings in the use of equipment which would lower the cost to the United States of the Foxe Basin operation.

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[86] Cette proposition a été approuvé par le Cabinet le 9 mai 1957.
This proposal was approved by Cabinet on May 9, 1957.

The Department of Transport intends in due course to report to the United States authorities upon the feasibility of Canadian assumption of responsibility for the sea supply of the other eastern Arctic DEW Line sites, particularly with regard to Baffin Island, but would not be in a position to so report until the coming autumn or winter.

Yours truly,
D.M. WATTERS

SECTION G

PIPELINES DE CANOL
CANOL PIPELINES

123. DEA/50197-D-40

Note du secrétaire du Comité consultatif sur le développement du Nord pour le Comité consultatif sur le développement du Nord

Memorandum from Secretary, Advisory Committee on Northern Development to Advisory Committee on Northern Development

DOCUMENT ND-209 [Ottawa], May 1, 1957

CONFIDENTIAL

DISPOSITION OF THE CANOL PIPELINES

At the fortieth meeting of the Advisory Committee on Northern Development the disposition of the Canol pipelines was discussed. It was agreed that a report on the Washington meetings to discuss the pipelines should be prepared for distribution to members of the Committee.

The attached paper has been prepared by the Department of Northern Affairs and National Resources.

G.W. ROWLEY

[PIÈCE JOINTE/ENCLOSURE]

Note du sous-ministre des Affaires du Nord et des Ressources nationales

Memorandum by Deputy Minister, Northern Affairs and National Resources

CONFIDENTIAL [Ottawa], May 1, 1957

DISPOSITION OF THE CANOL PIPELINES

The position taken by the U.S. Army regarding the disposition of the remaining Canol pipelines has changed materially during the past nine months. The latest changes, which were of basic importance, have only been made known to us in two documents† which were received on April 23 and April 25. The following paper will describe the background of the situation and the course which the negotiations have followed. It will then make recommendations as to the next step.

2. During the war a series of agreements was entered into between the Canadian and United States governments which covered the building and operation by the U.S. Army of certain pipelines and appurtenant facilities on Canadian soil. The pipelines were:

4-inch line from Norman Wells to Whitehorse;
4-inch line from Skagway to Whitehorse via Carcross;
2-inch line from Carcross to Watson Lake;
3-inch line from Whitehorse to Fairbanks.

3. It was the implicit understanding of the Canadian government that the ownership and operation of these pipelines by the U.S. Army were wartime arrangements which would be terminated at the end of hostilities. The pipeline from Norman Wells to Whitehorse was in fact disposed of by agreement in 1947. In 1954 the U.S. government declared the 2-inch line from Carcross to Watson Lake to be surplus. The U.S. Army, with no objection from the Canadian Government, continued to own and operate the 4-inch line from Skagway to Whitehorse and the 3-inch line from Whitehorse to Fairbanks. The Canadian authorities assumed, however, that once the 8-inch Haines-Fairbanks pipeline, constructed under an agreement concluded in 1953, was in operation there would be no need for the U.S. Army to continue to operate the 4-inch Skagway-Whitehorse pipeline and the 3-inch Whitehorse-Fairbanks line.

4. In view of the growing need for pipeline facilities to serve the general economic development of the Yukon, a preliminary meeting between officials of the Governments of Canada and the United States was held on July 19, 1956 to discuss the conditions under which these pipelines might be turned over to Canada. The Canadian point of view, as outlined in the preceding paragraph, was accepted by the American officials without reservation. They pointed out, however, that the 8-inch Haines-Fairbanks pipeline had been inoperative for several weeks last winter, and therefore it was essential that the 4-inch line from Skagway to Whitehorse and the 3-inch line from Whitehorse to Fairbanks be available to the U.S. government as a standby. They agreed with the Canadian officials that there seemed to be no reason why these pipelines could not be operated for commercial purposes by a Canadian entity and at the same time be available for emergency use by the United States Army. The U.S. officials at the meeting made no reference to Canada paying any recompense for the 3-inch line, and the Canadians assumed that the Americans regarded Canada's assumption of the obligation that the line would be maintained and available as a standby as sufficient recompense. The meeting agreed that the Department of External Affairs should give the U.S. Embassy a memorandum outlining the principles, as agreed at the meeting, which should govern the transfer of the lines, and that further meetings would be held to discuss the details. A memorandum† was sent to the U.S. Embassy on September 24, 1956. A reply† dated April 24, 1957, was received on April 25.

5. In December, 1956, the Canadian government decided that, subject to the completion of negotiations for Canada to take over the lines from the United States, and subject also to certain conditions, the White Pass and Yukon Route would have the right to operate the 4-inch pipeline and Alaska-Yukon Refiners and Distributors (formerly known as Shamrock Petroleum) would have the right to operate the 3-inch and 2-inch pipelines. In brief, the conditions were (a) that the pipelines would be kept continuously in operating condition and the 4-inch and 3-inch lines would be made available for the use of the U.S. government in the case of a national emergency or a failure of the 8-inch Haines-Fairbanks pipeline, (b) that all the pipelines would be operated as common carriers, (c) that the White Pass would move the 4-inch line sufficiently far from the tracks that it would be safe for the transport of gasoline, (d) that Alaska-Yukon Refiners and Distributors would build a pipeline from Haines to connect with the 3-inch pipeline, (e) that Alaska-Yukon Refiners

and Distributors would restore the 2-inch pipeline to operating condition, and (f) that the companies would be given a long-term lease to the pipelines at a rental which would be nominal for an initial period, the government then having the right to review the situation.

6. The White Pass & Yukon, in replying to this offer, pointed out that the U.S. Army is under an obligation to remove the pipeline at any place where it is within 5' of the tracks, and the Deputy Minister of Northern Affairs replied that the government did not mind who moved the pipeline as long as it was moved.

7. In February, 1957, a meeting was held in Washington between Canadian and U.S. government officials to arrange the details for the transfer of title to the pipeline. It became apparent at this meeting that the U.S. officials had developed, on one or two important points, very different views to those which had been expressed at the July, 1956, meetings. Furthermore, there have been further changes in the American viewpoint as expressed in documents which have subsequently been received.

8. The most important new factor which appeared at the February meeting was the demand by the U.S. that the pipelines should be appraised and transferred to Canada at their commercial value. The U.S. representatives presented a Draft Army Proposal of points which should be included in the ultimate Exchange of Notes, and paragraph 4 reads as follows:

> "The conveyance of that portion of the 4-inch pipeline facility (Canol No. 2) located in Alaska; the 2-inch pipeline facility (Canol No. 3); and that portion of the 3-inch pipeline facility (Canol No. 4) located in Canada will be at the current commercial value in accordance with Exchange of Notes dated 26 February 1945, the current commercial value to be determined by two appraisers, of whom one shall be named by the United States and one by Canada, with power, if they disagree, to appoint an umpire."

9. The suggestion that there should be an appraisal and that the line should be transferred to Canada at the appraised commercial value put an entirely new element into the discussions from the Canadian point of view. The Canadian representatives pointed out that the lines were not being transferred under the circumstances envisaged in the earlier Exchange of Notes, which contemplated that the U.S. Army would have no further use for them. The only provision for maintenance was that the pipelines should not be dismantled without the consent of the Permanent Joint Board on Defence. In the present case, however, the U.S. government was proposing to turn title of the lines over to Canada only if Canada would undertake the obligation that the lines would be kept continuously in operating condition and would be available as a standby, to be used by the U.S. government in the event of either a national emergency or trouble with the 8-inch pipeline, which according to the views expressed at the July 1956 meeting, was a contingency which might well occur. To this the U.S. representatives replied that the value of any obligations assumed by Canada would be taken into account in appraising the pipeline.

10. The Canadian representatives at the meeting tried to get some indication as to whether the Americans expected that an appraised value would be merely a nominal figure or a substantial figure, but could get none. Subsequently, however, we have had discussions with a pipeline expert who examined the 4-inch line in 1955, and he expressed the opinion that the line is in very good condition. We therefore should assume that an appraisal would place a substantial and not a nominal value on the lines.

11. Another position of importance taken by the U.S. representatives was that they wished Canada to accept any outstanding obligations which the U.S. government might have in respect of the 4-inch pipeline. The Canadian representatives said that Canada would be willing to accept the 4-inch pipeline only if it was free of all encumbrances, and

specifically, if the U.S. government had made some arrangement to satisfy its obligation to the White Pass Railway in respect to moving the 4-inch line off the tracks. The Americans stated that, if the United States had to move the 4-inch line, this would undoubtedly be taken into account in appraising the Alaska portion of that line.

12. As indicated earlier, there has been a change in American views *since* that meeting. On April 23 we received a Revised Draft Army Proposal, and this proposal no longer suggested that the 4-inch and 3-inch pipelines should be available in the event of a failure of the 8-inch pipeline. The only requirement was that they should be available to the U.S. government on a priority basis if needed in the case of a national emergency. To indicate the precise difference, paragraph 2 in the first Draft Proposal reads as follows:

> "2. The United States reserves the right to take over immediate use and possession of the above-mentioned 4-inch and 3-inch pipeline facilities (Canol No. 2 and 4) at any time within _______ from the date of this agreement to meet military requirements of the United States during a national emergency declared by the President or the Congress of the United States or in event of a breakdown of the Haines-Fairbanks 8-inch petroleum pipeline. During such period as the United States may have use and possession of the facilities, the United States will pay a fair rental as may be mutually agreed upon, such rental however not to include any compensation for the portion of Canol No. 2 pipeline located within Canada."

The same paragraph in the revised Draft Proposal reads as follows:

> "2. If, during a period of national emergency declared by the President or the Congress of the United States, the Secretary of the Army determines that it is necessary to use the above-mentioned pipeline facilities to meet United States requirements, then upon notification to Canada, the United States will be afforded a priority right to use the above-mentioned 4-inch and 3-inch pipeline facilities in Canada. Payment for the operation of the pipeline facility to furnish petroleum products for the United States will be made at such terms as may be mutually agreed upon. The obligations of Canada and the United States under this proviso shall terminate at the end of the economic life of the facility as specified in paragraph 1 above."

13. The U.S. requirement that the 4-inch and 3-inch line be available to meet U.S. military requirements in the event of a national emergency is also expressed in the memorandum from the U.S. Embassy dated April 24, 1957 as follows:

> "That any lease, contract for operations, agreement of sale or other agreement covering the pipelines in Canada must contain a provision that will ensure the pipelines shall be made available to meet United States military requirements in a national emergency."

14. Another point of interest in the U.S. Revised Draft is that it modifies the demand that there shall be an appraisal and that the pipelines shall be transferred at their commercial value. The clause in the original Draft Proposal is quoted in paragraph 8 above. The relevant clause in the Revised Draft is as follows:

> "The conveyance of that portion of the 3-inch pipeline facility (Canol No. 4) located in Canada, and the 2-inch pipeline facility (Canol No. 3) will be at the current commercial value. The exchange of notes dated 26 February 1945, while not applicable to all pipelines involved in this exchange of notes, will be used as a guide for procedures to be followed in determination of current commercial value."

It is hard to determine the precise significance of the curious phrase "shall be used as a guide for procedures to be followed". It is not quite clear what is the difference between stating, on the one hand, that the pipelines shall be disposed of at a commercial value to be determined by an appraisal, and on the other, that an appraisal "shall be used as a guide for procedures to be followed in determination of current commercial value." Presumably, however, there is some difference, because otherwise there would be no point in having used different words.

15. The final point of interest in the U.S. Revised Draft was that it omitted any specific reference to Canada assuming any obligations which the U.S. government may have in respect to any of the pipelines (specifically, the obligation to move the 4-inch pipeline off the White Pass track). However, the opening statement in the Revised Draft reads as follows:

> "The United States proposes that Canada accept the transfer and conveyance of all right, title and interest of the United States in and to that portion of the 4-inch petroleum pipeline facility known as Canol No. 2, located within Canada ... etc.".

This would appear to imply that Canada will take over any unsatisfied obligations along with title to the line. Moreover the memorandum from the U.S. Embassy dated April 24, 1957 states that the U.S. Army accepts in principle that title to the pipelines be transferred to Canada provided "that the proposal can be implemented without cost to the United States". It would appear, therefore, that the U.S. government is still attempting to arrange that the pipelines be transferred to Canada without the U.S. paying the cost of moving the 4-inch pipeline. The significant point to remember, however, is that the U.S. Army has a contract with the White Pass and Yukon Route, entered into in 1947 without the Canadian government being any part of it, which requires that the U.S. government remove the pipeline where it is within 5' of the track when the contract comes to an end. The contract comes to an end on September 30, 1957 unless it is terminated earlier. The position which the Canadian representatives have consistently taken is that the completion of this contract between the U.S. Army and the White Pass is a matter in which Canada has no concern, and is from the U.S. government turning over title of the pipelines to Canada. The U.S. representatives, however, are clearly unwilling to regard it in this light.

Present Position

The question of the position to be taken by Canada in the light of the proposals by the United States is being studied. While definite conclusions have not yet been reached, it seems clear that Canada should not acquiesce in a situation in which the United States appears to be seeking to require the appraisal and full valuation procedure contemplated in Note 710 of June 1942 and at the same time impose substantial new conditions. That Note contemplated a situation in which the pipelines would no longer be required for defence purposes and would therefore be sold, the only recognition of a possible ultimate defence need being the provision that the line should not be dismantled without the approval of the P.J.B.D. Under the current proposal, however, Canada would be required to make the lines available for U.S. defence needs in time of a national emergency. Canada would also, under Clause I of the U.S. Revised Draft, be required to maintain the pipeline facilities, "in such manner as to assure their integrity and continued availability for the transportation of petroleum products for the defence needs of the United States and for the mutual defense of the United States and Canada for their remaining economic life which is agreed to be ________."

Tentatively, and subject to further consideration, it appears that the course to take is to advise the U.S. authorities that, in the view of Canada, the U.S. Draft Proposal does not contemplate the circumstances envisaged in the Note of 1942. If the United States wishes to have additional conditions applied, along the lines of their Revised Draft Proposal, we could indicate that this would require a new agreement. This agreement would provide that title to the pipelines would be transferred to Canada, free of all encumbrances, in return for

Canada undertaking that the pipelines would be maintained in continuous operating condition and would be available for U.S. defense needs in time of a national emergency. This new agreement, of course, would refer only to those portions of the pipeline which lie in Canada, and it would appear that the question of the removal of the Alaska portion of the 4-inch pipeline would have to be left to negotiations between the White Pass and the U.S. government.

If, on the other hand, the U.S. government wishes to adhere to the principle of appraisal and disposal at the commercial value, we could indicate that under such circumstances Canada would not bid for the pipelines. The sale would have to be to companies incorporated in Canada and those companies could not be required to undertake obligations *vis-à-vis* the United States. The only obligation would be that of the Government of Canada, under the 1942 Note, that the lines would not be dismantled without P.J.B.D. approval.

Any views by members of the Advisory Committee on this matter would be appreciated.[87]

R.G. ROBERTSON

SECTION H

BAIE FROBISHER
FROBISHER BAY

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124. PCO

Note du ministre des Transports
pour le Cabinet

Memorandum from Minister of Transport
to Cabinet

CABINET DOCUMENT NO. 107-56 [Ottawa], May 9, 1956

CONFIDENTIAL

CERTAIN NORTHERN AIR STRIPS

The air strips at Cambridge Bay (CAM), Hall Lake (FOX) and Frobisher, N.W.T., on or in direct support of the DEW Line, have a high potential value for civil aviation in northern Canada and for the general development of the north, and, of the various stations on or in support of the DEW Line, they are the most likely to have extensive civil use.

Approval in principle is sought for the Department of Transport to assume responsibility for the operation of these air strips, the aids to navigation, and the meteorological and communications systems essential to civil air operations.

Frobisher is now under the jurisdiction of the R.C.A.F., but it is the U.S.A.F. which provides the necessary personnel and the airfield equipment. The Department of Transport provides radio and meteorological personnel and plans to erect this summer a building for these services.

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[87] Le Comité consultatif sur le développement du Nord a étudié ce document à sa réunion du 6 mai 1957 et a convenu de réexaminer la politique canadienne à la lumière des dernières propositions des États-Unis. The Advisory Committee on Northern Development reviewed this paper at its meeting on May 6, 1957 and agreed to study further Canadian policy in view of the latest U.S. proposals.

At Cambridge Bay the Department provides only radio personnel who are stationed about four miles from the DEW Line air strip.

At Hall Lake, a completely new station, there are at present no Department of Transport personnel although Canadian meteorological personnel will be posted there this year.

The proposal that the Department of Transport assume the responsibilities above mentioned was considered by the Advisory Committee on Northern Development at a meeting on April 16th. The Committee — because of the growing importance of great circle flying between northern Europe and western America and between northern Europe and northern Asia, the extensive activities in the Arctic archipelago, the growing interest in mineral development in the area, and the desirability of constantly asserting Canadian sovereignty — strongly supported the proposal that the air strips be operated by the Department of Transport.

On the assumption that to begin with food and lodging would be provided in the U.S. buildings, the initial capital cost would be about $125,000, and the annual maintenance cost would be about $300,000-$400,000, depending on how much Eskimo help can be obtained. These costs are in addition to present expenditures for meteorological services and telecommunications at these points. To provide separate Canadian buildings at CAM and FOX, and to move certain buildings from Cambridge Bay to CAM, there could be additional construction costs of about $1,000,000, though these expenditures might be postponed for a time, if arrangements are made with the U.S.A.F. for accommodation and board.

If this proposal is approved in principle, it is intended to open negotiations with the appropriate U.S. authorities to work out the terms under which the air strips would be operated and to settle such details as: whether the contractor can provide board and lodging for some or all of the personnel, whether the airport maintenance equipment and maintenance shop can be made available, what communication facilities would be required and where they would be housed; the provision of fuel; the use of the air supply airlift system established by the contractor, and similar matters.

The proposal contemplates that the taking over period would be two or three years, depending in part on the outcome of the negotiations with regard to the matters mentioned in the preceding paragraph.

Accordingly, I recommend:

1. That approval in principle be granted for the Department of Transport to assume responsibility for the operation of the above mentioned air strips, the aids to navigation and the meteorological and communications systems essential to civil air operations;

2. Approval of the opening of the negotiations with the appropriate U.S. authorities to work out the terms under which the air strips would be operated and to settle the relative details.[88]

[G.C. MARLER]

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[88] Le 10 mai 1956 le Cabinet « deferred decision until initial discussion with the U.S. authorities had shown what arrangements could be made. »
On May 10, 1956, Cabinet "deferred decision until initial discussion with the U.S. authorities had shown what arrangements could be made."

125. PCO

Extrait du procès-verbal de la réunion du Comité du Cabinet sur la défense

Extract from Minutes of Meeting of Cabinet Defence Committee

TOP SECRET [Ottawa], June 13, 1956

Present:

The Prime Minister (Mr. St-Laurent), in the Chair,
The Minister of Defence Production (Mr. Howe),
The Minister of National Defence (Mr. Campney),
The Minister of National Health and Welfare (Mr. Martin),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Finance (Mr. Harris).
The Minister of Northern Affairs and National Resources (Mr. Lesage). (For Items III, IV and V)
The Secretary (Mr. Martin),
The Military Secretary (Captain Lucas).
The Chairman, Chiefs of Staff, (General Foulkes),
The Chief of the Air Staff (Air Marshal Slemon),
The Chief of the General Staff (Lieutenant-General Graham),
The Chief of the Naval Staff (Vice Admiral DeWolf),
The Chairman, Defence Research Board (Mr. Zimmerman).
The Secretary to the Cabinet (Mr. Bryce),
The Deputy Minister of Welfare (Dr. Davidson),
The Deputy Minister of Defence Production (Mr. Golden),
The Deputy Under-Secretary of State for External Affairs (Mr. Macdonnell),
Mr. R.G. MacNeill, (Department of Finance).

. . .

V. EXTENSION OF AUTHORIZATION TO U.S.A.F. TO STATION FORCES AT R.C.A.F. STATION, FROBISHER BAY

15. *The Secretary of State for External Affairs* recalled that, subject to certain conditions, the U.S.A.F. had been authorized in 1951 to repair the wartime facilities at Frobisher Bay and station there up to 150 military personnel. The U.S.A.F., through the Permanent Joint Board on Defence, had indicated there would be a continuing need for the use of the airport in support of the Distant Early Warning Line and the northeast line of communications. The U.S.A.F. had made provision in its 1957 construction programme for badly needed improvements in the facilities but before such an expenditure could be authorized it was felt that assurance of the right of occupancy for a longer period would be required. Twenty years had been suggested.

In reply to this request it had been stated that twenty years seemed to be out of keeping with the arrangements made between the two countries in connection with other defence projects and that the U.S. would be better advised to consider an arrangement similar to that adopted in the case of the DEW line. The U.S. authorities agreed with this suggestion and proposed that notes be exchanged which would grant the U.S.A.F. the right to station forces at Frobisher for a period of ten years or such shorter period as might be mutually agreed. The Advisory Committee on Northern Development concurred in the proposal.

He recommended, with the concurrence of the Minister of National Defence, that he be authorized to exchange notes agreeing to this proposal.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 15, 1956 — Document D8-56†).

16. *During the discussion* the following points emerged:

(a) The government had agreed in principle that the air strips at Hall Lake, Cambridge Bay and Frobisher Bay be manned by the Department of Transport but a final decision was postponed pending an approach to the U.S. to see if the arrangements which could be worked out might be acceptable. It was most desirable that the proper control of Frobisher be in Canadian hands and it would also be desirable to announce any new arrangements regarding the Department of Transport assumption of control at the same time as it was agreed to allow the U.S.A.F. to have a longer term of tenure at Frobisher Bay.

(b) Frobisher was an exceptionally busy airport and would continue to be so for some time. By far the largest proportion of traffic was American and it would therefore be sensible to allow the U.S. to continue to exercise the kind of control which it now had. It was argued, on the other hand, that Canadian aircraft used the base to a certain degree, that it was an alternate base for airlines flying over the Pole and that it was desirable in principle that this be a Canadian installation.

(c) There was no doubt that it would be a strain on the Department of Transport to control and operate Frobisher effectively. A memorandum should be prepared as soon as possible indicating the Department of Transport's plans for this new assignment and the resources involved.

17. *The Committee* noted the report of the Secretary of State for External Affairs on the proposal for the terms of tenure for the stationing of United States Air Force units at Frobisher Bay, and agreed to recommend that, subject to a reconciliation with the previous decision of the government concerning the operation by the Department of Transport of the airfields at Frobisher and two other locations, notes be exchanged with the United States permitting the U.S.A.F. to station forces at Frobisher for a period of ten years or such shorter period as may be mutually agreed.

. . .

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126. PCO

Note du ministre des Transports pour le Cabinet

Memorandum from Minister of Transport to Cabinet

CABINET DOCUMENT NO. 3-57 [Ottawa], January 4, 1957

CONFIDENTIAL

CIVIL OPERATION OF FROBISHER AIRPORT, N.W.T.

On May 10th, 1956, Cabinet considered the possibility of the Department of Transport operating certain major air strips connected with the Distant Early Warning Line, where extensive civil use was foreseen, and deferred decision until discussions with U.S. authorities had shown what arrangements could be made. It was understood that priority would be given Frobisher, N.W.T., where the R.C.A.F. had jurisdiction over the air strip, the U.S.A.F. provides personnel and airfield equipment, and the Department of Transport provides radio and meteorological personnel.

Subsequently representatives of the government departments concerned met and agreed to recommend that D.O.T. should take over operation of Frobisher airport on a "phasing in" basis commencing September 1, 1957, and U.S.A.F., R.C.A.F. and D.O.T. have now agreed in principle on the conditions for future use and operation of the base, the arrangement to be embodied in a formal Exchange of Notes. The main points of the proposed arrangement are as follows:

(1) U.S.A.F. to be permitted to remain in occupancy for a ten-year period subject to renegotiation (Cabinet earlier deferred decision on a Defence Committee recommendation to this effect, pending decision on the transfer to Transport);

(2) Allocation of a defined area to U.S.A.F.;

(3) Location of buildings by U.S.A.F. to be in accordance with D.O.T. zoning;

(4) Major airport works, such as runway extensions, required by U.S.A.F. to be paid for by them but controlled (i.e. contracts let) by Canada.

Next year's estimates for telecommunications and meteorological services at Frobisher include $410,000 for operation and $288,000 for capital expenditures, and these will be incurred whether take-over takes place or not. Next year's estimates also include provision for the first phase of the take-over, and it is estimated that when the take-over is completed by 1959 additional annual operating costs of the airfield will be about $200,000. There would also be capital expenditures of $400,000 to $500,000, which would be spread over the three-year period commencing next year, but the exact amount cannot be determined finally until it is known what U.S. equipment will be available and, consequently, no provision has been made for these expenditures in next year's estimates.

It is recommended that approval be given of:

(1) The transfer from the R.C.A.F. to the Department of Transport effective September 1, 1957, of jurisdiction over Frobisher Airport; and

(2) The negotiation by Canada with U.S.A. of an agreement as to the division of duties and responsibilities, management, and operating procedure.

[G.C MARLER]

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127. DEA/703-AM-40

Note du secrétaire de la Section canadienne pour les membres canadiens de la Commission permanente canado-américaine de défense

Memorandum from Secretary, Canadian Section, to Canadian members, Permanent Joint Board on Defence

CONFIDENTIAL [Ottawa], January 15, 1957

EXTENSION OF U.S. AIR FORCE TENURE AT FROBISHER BAY AIRPORT

The Cabinet on January 10 approved the recommendation of the Minister of Transport concerning Frobisher Bay Airport which was set out in the latter's memorandum of January 4, a copy of which is included in the briefs of the Canadian Section. Cabinet's approval was in the following terms:

(a) "That jurisdiction over Frobisher Bay Airport, N.W.T. be transferred from the RCAF to the Department of Transport as of September 1, 1957, and

(b) "That Canada negotiate with the United States an agreement as to the division of duties and responsibility in management and operating procedures on the base; it being understood that the agreement would cover occupancy by the USAF of a definite portion of the base and its facilities for a period of ten years subject to renegotiation and would also include among other matters arrangements as to the zoning of buildings in the special portion as well as elsewhere, and the letting of contracts for new works therein subject to the approval of Canadian authorities."

The USAF has been pressing in the Board for a decision as to the period of time which will be agreed to by the Canadian authorities for the continued stationing of USAF personnel at Frobisher. It would seem possible now to give the USAF assurance through the PJBD channel that the Canadian Government is prepared to grant tenure in terms similar to those set out in the DEW Line Agreement, even though formal Canadian Government agreement on the tenure question will be set out in the exchange of notes which would include all conditions for future use and operation of the base. These conditions are presently under negotiation between the Department of Transport and the USAF and no difficulty is expected in reaching agreement on the details. It is suggested that the Chairman, Canadian Section, might lead off discussion of the Frobisher item with some general remarks which would include something along the following lines on the tenure question for inclusion in the Journal:

"It is gratifying to be able to report significant progress on this item. Interested officials from our two Governments have met since our last Board meeting and have reached substantial agreement on the terms and conditions for continued use of Frobisher by the USAF. Since our last meeting as well Canadian Ministers have approved the transfer of jurisdiction over Frobisher Bay Airport from the RCAF to the Department of Transport to become effective September 1, 1957. Ministers have also approved negotiation with the United States of an agreement as to the division of duties and responsibility in management and operating procedures on the base. Ministers understood that the agreement, among other things, would cover occupancy by the USAF of a definite portion of the base and its facilities for a period of ten years, subject to renegotiation.

"I can now, therefore, inform the members of the Board that the Canadian Government will be prepared to authorize the continued use of Frobisher by the USAF on a basis similar to that provided in the DEW Line Agreement, i.e. for a period of ten years, or such shorter period as shall be agreed by both countries in the light of their mutual defence interests. It is my understanding that the question of tenure will be covered formally in the exchange of notes which will result from the negotiations between officials of our two Governments which are currently underway, and to which I have already referred".

J.J. McCARDLE

SECTION I

TÉLÉVISION SUR LES BASES AMÉRICAINES
TELEVISION ON AMERICAN BASES

128. DEA/12219-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur des États-Unis

Secretary of State for External Affairs
to Ambassador of United States

CONFIDENTIAL Ottawa, January 16, 1956

Dear Mr. Stuart,

I should like to refer to the discussions which have been going on for some time between officers of your Embassy and the Department of External Affairs concerning the proposed establishment by the United States armed forces of low-power television broadcasting stations at the U.S. Naval Station, Argentia, Newfoundland; at Ernest Harmon Air Force Base, near Stephenville, Newfoundland; and at Goose Air Force Base, Goose Bay, Newfoundland.[89] You will recall that when I discussed this proposal with you recently I said that I would send you a letter setting out what the Canadian Government was prepared to do by way of meeting this request.

As you know, the laws of Canada do not permit the granting of a radio station licence to persons who are not British subjects, except where such stations are necessary to the carrying out of defence arrangements. Nevertheless the Canadian Government views sympathetically the desire of the United States authorities to provide television for their personnel at relatively isolated bases beyond the range of Canadian stations. To meet the situation, it would be prepared to permit the United States armed forces to install television broadcasting stations at Harmon and Goose Air Force Bases under the direct supervision and control of the Canadian Broadcasting Corporation, which would itself hold the licences and provide up to one-third of the broadcast material. In order to conform with the broadcasting policy of the Canadian Government, and because the broadcasts would be available to a considerable number of Canadian citizens, it is considered essential that the stations should include a reasonable proportion of Canadian material in their broadcasts.

The operation of the stations at Harmon and Goose Bay Air Force Bases would be authorized for an initial period of five years, but might be closed at any time thereafter in the event of the establishment of a Canadian station providing television coverage.

The Canadian Government regrets that it cannot permit the establishment of a television station at Argentia. It is understood, however, that the licensee of the commercial television station at St. John's is anxious to ensure coverage at the Base area. He has had indications that the signal is satisfactory, but has also said if the need for further improvement develops he would apply for permission to install some form of "booster" or "satellite" especially to strengthen the signal around the Base area. The Canadian authorities would regard such an application favourably if such installation is found necessary.

If the conditions, as described above, under which the Canadian Government is prepared to authorize the establishment of television stations at Harmon and Goose Bay, are acceptable to the United States authorities, I propose that before any action is taken toward the establishment of the stations your Embassy should arrange through the Department of External Affairs to have the officers concerned with setting up the stations discuss the detailed arrangements, including the question of operators, with the appropriate Canadian officials.

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[89] Voir/See Volume 17, Document 354.

As you are no doubt aware, the United States armed forces are operating sound radio broadcasting stations at Harmon, Argentia, and Pepperrell Bases. These stations were established during the Second World War and the Canadian Government has permitted their continued operation on an unlicensed basis since Newfoundland entered Confederation. It seems to us that the establishment of the new television stations which are proposed will inevitably draw attention to these unlicensed radio stations. As I believe you know, the Canadian Government would like to see the operation of these radio stations at the Leased Bases discontinued.

Yours sincerely,
L.B. PEARSON

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129. DEA/12219-40

Note du chef de la 1ère Direction de liaison avec la Défense pour la 1ère Direction de liaison avec la Défense

Memorandum from Head, Defence Liaison (1) Division, to Defence Liaison (1) Division

CONFIDENTIAL [Ottawa], February 16, 1956

RADIO STATIONS AT U.S. BASES IN NEWFOUNDLAND

The Under-Secretary informed me that Mr. Stuart came to see the Minister yesterday and expressed concern about the final paragraph of the Minister's letter to Mr. Stuart of January 16 about U.S. television stations in Newfoundland. Apparently the outcome of this talk was that the Minister undertook to send Mr. Stuart a letter giving a liberal interpretation of the phrase "as I believe you know, the Canadian Government would like the operation of these radio stations at the leased bases discontinued".

2. I suppose that Mr. Pearson might take the line in such a letter that this phrase indicated a preference rather than a condition and that it referred to the operation of U.S. stations where Canadian stations were already giving service. I suppose that it would be necessary to consult Mr. Pickersgill as well as other departments concerned before a draft is submitted to the Minister.[90]

G. IGNATIEFF

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[90] Note marginale :/Marginal note:

Mr. Ignatieff: I had a talk with Rewinkle about this. He tells me that Mr. Stuart is under the impression that Mr. Pearson told him that the statement re closing of the radio-stations was "just for the record" in case the issue was raised publicly, and that we don't really expect the stations to be closed for an indefinite period. Mr. Stuart apparently expects the second letter to convey this understanding. Under the circumstances I am chary about preparing a draft until we have more specific info on the Min[ister]'s understanding of the conversation. W.H. B[arton]

130. DEA/12219-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur des États-Unis

Secretary of State for External Affairs
to Ambassador of United States

CONFIDENTIAL Ottawa, February 23, 1956

Dear Doug [Stuart],

I am writing this letter, as promised, to confirm our conversation the other day with respect to the radio and television stations at the Leased Bases.

May I say first that although, as your know, the Canadian Government would like to see the operation of the radio stations discontinued, the approval of the arrangements for the operation of the television stations is in no sense conditional upon this being done. However, once the television stations go on the air public attention is almost certain to be drawn to the operation of the radio stations. The United States authorities therefore might consider that to be an appropriate time to consider whether the radio stations should be continued. Once satisfactory television arrangements have been made, there may not be the same need for radio reception of this kind.

Secondly, I should like to assure you that we share your desire to see that there is adequate reception at Argentia of the commercially-operated television station in St. John's. The Canadian Government will urge the operator of the station to take whatever action is necessary, such as the installation of some form of "booster" or "satellite", to ensure that the signal strength is adequate. We have requested the Department of Transport and the Canadian Broadcasting Corporation to keep us informed of the progress on this matter, and the Department of External Affairs, in turn, will see that the officers on your staff are notified of developments.

Yours sincerely,
L.B. PEARSON

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131. DEA/12219-40

L'ambassadeur des États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador of United States
to Secretary of State for External Affairs

Ottawa, October 9, 1956

Dear Mr. Pearson:

I refer to discussions between officials of our two Governments as to possible ways of providing television service at Ernest Harmon Air Force Base and Goose Air Force Base.

It is understood that in the normal course of events the Canadian Broadcasting Corporation would not be prepared at this time to establish television stations at either of these bases. However, the United States authorities are most desirous that a television service be provided and, to this end, have indicated their willingness to construct, equip, maintain and man television stations at Harmon and Goose Bay if the CBC will agree to establish and operate them.

I understand that the CBC feels, in these circumstances, that the expense to the CBC in operating such stations, would, on the above basis, be justified since national service to Canadian citizens in these areas would thus be provided.

The purpose of this letter is to re-affirm the understanding of the United States authorities that these stations, when established, will be, for all purposes, Canadian Broadcasting Corporation stations, operated in accordance with the rules and regulations of the CBC.

Sincerely,
LIVINGSTON T. MERCHANT

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132. DEA/12219-40

Le sous-secrétaire d'État aux Affaires extérieures
au ministre à l'ambassade des États-Unis

Under-Secretary of State for External Affairs
to Minister, Embassy of United States

CONFIDENTIAL Ottawa, October 9, 1956

Dear Mr. Thompson,

With reference to Mr. Merchant's letter to Mr. Pearson of this date, I wish to state that it is of course understood that the ownership of the equipment for the television stations at Ernest Harmon Air Force Base and Goose Air Force Base, and of the buildings in which the equipment is housed, will remain with the United States Government acting through the United States Air Force.

It is also understood that, so long as the United States desires, the operation of these stations is authorized for an initial period of five years, but might be closed at any time thereafter in the event of the establishment of a Canadian station providing television coverage.

In addition, it is understood that the Canadian Broadcasting Corporation, at no cost to the United States, may provide one-third of the broadcast material and will provide a station manager for each station. The United States will provide, at its expense, the technical operators at each of the stations who will, in all cases, be uniformed personnel.

The Canadian Government recognizes that it is not possible at this time to foresee the precise effect which application of its broadcasting regulations may have in some instances upon an operation of this kind and that, accordingly, such instances should be the subject of future consultations between the proper authorities of the two governments.

Yours sincerely,
R.M. MACDONNELL
for Under-Secretary of State
for External Affairs

133. DEA/12219-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], March 15, 1957

UNITED STATES RADIO STATIONS IN NEWFOUNDLAND

Arrangements for providing television to the U.S. Armed Forces in Newfoundland and Goose Bay appear to be working satisfactorily. As regards radio stations, however, (about which you wrote a "Dear Doug" letter to Mr. Stuart a year ago saying that the Government would like to see their operation discontinued) the U.S. Ambassador recently presented a request† that the existing Armed Forces stations (at Stephenville and St. John's) be allowed to continue. It is argued (and in considerable detail) that, in addition to helping morale "each of these stations meets a definite military need and serves a military purpose in support of Canadian-United States mutual defence efforts".

2. At the same time, the U.S. state their willingness to close "any or all of the radio stations in question, either now or at some specified future date, whenever requested to do so by the Canadian Government".

3. In putting forward their request, the U.S. Ambassador says "I am authorized to express the desire of the United States to continue the operation of each station under a formula acceptable to your Government, such as, for example, the C.B.C. licensing procedure now being followed with regard to the television stations at Goose Bay and Harmon". The C.B.C. tell us informally that this suggestion is most unacceptable to them. Mr. Pickersgill, who was consulted, says that while he is unimpressed by the arguments about the military value of the radio stations, he thinks it would be much better to go on tolerating the stations than to make any attempt to give them a regular status under the C.B.C.

4. The Department is inclined to share this view. The operation of these stations appears to be proceeding smoothly, giving satisfaction not only to the U.S. Armed Forces but to the local Canadian listening public, and giving rise to no important criticism that has come to the attention of the Department, the C.B.C. or Mr. Pickersgill. Would you agree that we give tacit consent to continued operation?[91] This would require exploration with the Department of Transport (as administrators of the Radio Act) and might take the form either of regarding the radio stations as performing just enough military functions to be regarded as contributing to defence, or by telling the United States that until they receive a reply (which may be a long time) it is understood that the operations will continue.[92]

J. L[ÉGER]

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[91] Note marginale :/Marginal note:
Yes L.B. P[earson]

[92] Note marginale :/Marginal Note:
Note: I have also (subsequently) consulted Mr. Bryce, who agrees that we ought to be able to find some way of keeping the radio stations in operation. R.M. M[acdonnell]

SECTION J

ESSAIS THERMONUCLÉAIRES DES ÉTATS-UNIS
U.S. THERMONUCLEAR TESTS

134. DEA/50219-D-40

Note sous-secrétaire d'État suppléant aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Deputy Under-Secretary of State for External Affairs to Secretary of State for External Affairs

TOP SECRET Ottawa, August 9, 1956

U.S. THERMONUCLEAR TESTS

I believe you will be interested in the attached report which has been prepared by Mr. Barton who attended the recent U.S. thermonuclear tests with General McNaughton.[93]

R.M. M[ACDONNELL]

[PIÈCE JOINTE/ENCLOSURE]

Rapport

Report

TOP SECRET [Ottawa], August 8, 1956

NUCLEAR WEAPONS TESTS AT U.S. PACIFIC PROVING GROUNDS — REPORT OF EXTERNAL AFFAIRS OBSERVER

Introduction

For the first time since 1946, the United States Government this year invited a group of foreign nationals to witness nuclear tests at its Pacific Proving Ground. The ten Canadians and five British officials who attended the tests thus became the first persons, other than Americans or Russians, to see a thermonuclear explosion.

2. The observer group totalled twenty, — five Canadian and five United States representatives of the Permanent Joint Board on Defence, five officers representing the Canadian armed forces, and five officers representing the United Kingdom services (including one from the Civil Defence branch of the Home Office). We travelled by air to Eniwetok, arriving on July 14 and departing for home on July 21.

3. The Pacific Proving Ground is an ocean area of approximately 400 miles by 300 miles, embracing Eniwetok and Bikini atolls. These atolls are situated at about 11° North Latitude, about 2800 miles west and slightly south of Hawaii, Eniwetok being about 200 miles west of Bikini. The physiography and climate of these atolls have an important influence on the conduct of nuclear tests and merit a few words of comment. Each consists of a coral reef surrounding a lagoon of roughly circular shape about twenty miles in diameter. At frequent intervals the reef rises above water-level, forming a chain of small islets surrounding the lagoon. Even the largest of these islets is no more than two miles long and

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[93] Note marginale :/Marginal note:
also send to Paul Martin [L.B. Pearson]

less than a mile wide, and some are little more than sand bars. All but the smallest have a heavy tropic vegetation, except where it has been cleared off by the Task Force conducting the tests.

4. The climate is warm and very humid but is made quite pleasant by the trade winds, which blow almost continuously. It is the presence of these trade winds, blowing from East to West, coupled with the absence of the movement of air masses or "fronts" which are characteristic in more temperate latitudes, which makes this area so suitable for nuclear tests.

Organization and Conduct of the Tests

5. All nuclear weapons tests are conducted by a permanent organization, Joint Task Force 7, with its headquarters in Washington. At present the Commander of the Task Force is a rear admiral, with officers of the same rank from the army, navy and air force as his deputies. In addition, there is a scientific deputy representing the AEC. All of these officers were at the Pacific Proving Ground during the four months (April-July) of the test series just concluded.

6. The task force is divided into five task groups — army, navy, air force, scientific, and construction (a civilian contractor). The total number of personnel fluctuates, but at the time of recent tests totalled more than 13,000, with all the logistic support, including aircraft, ships, and vehicles that one would expect the Americans to provide for an operation of this kind. The cost of the 1956 series, excluding the cost of the weapons, was estimated to be $150 million.

7. The test series just completed consisted of a total of 17 "shots", of which 5 or 6 were in the megaton range. The shots were fired in a variety of ways; by air drop, from towers, on the ground, and from barges anchored in shallow water on the reef of the atoll. Megaton bombs were fired at Bikini and kiloton weapons at Eniwetok in order to limit the danger to the extensive base facilities at the latter atoll.

8. The primary factor in determining whether or not a shot can be fired is the direction of the wind at various altitudes. The difficulties experienced at the time of the "Fortunate Dragon" incident clearly taught the experts a lesson, and as a consequence the weather prediction facilities established for the tests are very elaborate and the criteria which must be met before a shot can be fired have been set within very narrow limits. Weather stations have been established on all the islands within a distance of 500 miles from Eniwetok, destroyers proceed several hundred miles on set courses and take wind measurements by means of rockets which discharge "chaff" which in turn is tracked by radar, and a squadron of 12 B50 weather aircraft take regular observations. I am inclined to think that it is these precautionary measures rather than the development of a weapon with limited fall-out, to which Admiral Strauss referred when he said recently that the tests indicated that the fall-out problem could be localized.

9. The measurement of the effects of the shots is carried out mainly by aircraft, although extensive use is also made of instruments set up on islands in the test atoll and on ships. A typical test might involve the deployment of a dozen operational aircraft stationed at predetermined positions and altitudes in the vicinity of the explosion. Some aircraft will be taking pictures, others will be designated as "penetration aircraft" to fly through the cloud taking samples, and still others will be assigned an "effects" role and situated so as "to take advantage" of the blast, thermal, or radioactive effect, as the case may be. In the case of surface-fired weapons, an operational aircraft, e.g. the B-52, is always flown on a course so that it will be in the same position relative to the explosion as it would if it had dropped the bomb. We were given a very complete briefing on this phase of the operation and the RAF

and RCAF took copious notes. The U.K. representatives will no doubt have a tale to tell the planners of their 1957 Christmas Island operation.

Test Shots Witnessed by Canadian Observers

10. Our group was fortunate in being able to see two shots, the final ones of the series. The shots were planned for Wednesday and Thursday, July 18 and 19, but because the winds were not quite satisfactory at all altitudes they were postponed day by day until the following Saturday and Sunday. Both shots were fired just before dawn, so we saw the fireballs in darkness but were able to follow the clouds in daylight.

First Shot

11. Saturday's shot was the largest in the 1956 series. Officially we were told it was in the 5-10 megaton range. We were given to understand privately that it was about 7-8 megatons — apparently the exact size of these experimental weapons cannot be predicted in advance and can only be determined on the basis of measurements made at the time of firing. It was fired from a barge anchored on the northern side of Bikini reef and we observed it from an aircraft flying at 17,000 feet sixty miles west of "ground zero". Generally speaking, the spectacle conformed to the descriptions everyone has read, but we were particularly impressed by the intensity of the initial flash, which lit up the whole sky just as though the sun were out and which lasted for a surprisingly long time — perhaps 30 seconds, and by the brilliant lavender luminescence of the cloud, which lasted two or three minutes after the initial flash had disappeared and which was caused by ionizing radiation. The rapid formation of the cloud was dramatic — the stem shot up into the air like the Geneva fountain, developed the typical mushroom head, and then seemed to penetrate it and keep on going. Knowing our distance and altitude we were able to estimate, probably with fair accuracy, the size of the cloud. The stem seemed to be about 2 miles in diameter, and the base of the mushroom about 30,000 feet high (two minutes after the explosion). The mushroom head spread out and gained altitude at tremendous speed. After three or four minutes the stem had widened to perhaps 3 miles and the diameter of the cloud to 30 miles. Once the initial luminescence faded it took on a sinister slate gray colour which contrasted sharply with the other clouds in the sky. An hour later the cloud was still very sharply defined although by this time we were looking at it from Eniwetok, nearly 200 miles from "ground zero". Our "experts" guessed that at this time the top of the cloud was at least 100,000 feet high and the diameter in the neighbourhood of 80-100 miles.

12. Because of other cloud formations it became increasingly difficult to see the man-made one, but we thought we could detect it as late as three hours after the time of firing.

13. We felt and heard nothing in the aircraft, but the fireball was clearly visible to personnel on the ground at Eniwetok (190 miles from the scene of the explosion) and the flash was seen at Kwajalein (about 400 miles from Bikini). A series of 12-14 shocks were felt at Eniwetok and a loud rumbling thunder was heard.

Second Shot

14. Sunday morning's test took place at Eniwetok atoll. The shot was fired from a barge anchored in the famous crater where the islet named Elugelab used to be until it was vaporized in the first thermonuclear explosion three years ago. We saw the explosion from the island of Eniwetok, about 16 miles across the lagoon from "ground zero". Officially we were informed that it was in the 100-500 kiloton range, and privately about 200 kilotons. Generally speaking, the sequence of events and effects was the same as for the previous day's test, except that the fireball was obviously smaller and of shorter duration, and the cloud was much more modest in size. However, since we were in the open, we were able

to observe some effects which had not been possible the previous day. The most interesting was the blast of radiant heat which we felt on our faces for the few seconds of the duration of the fireball. It was just as though one had come in from out-of-doors and put his face within a foot or two of a Quebec heater with a hot fire. The stem of the cloud on this occasion was somewhat irregular and after perhaps three or four minutes seemed to be about 10,000 feet high and one-half mile in diameter. The mushroom was about 8 miles in diameter. It was obscured from our view shortly thereafter by intervening clouds. We felt the shock wave and heard a rumble of sound, but since there was a good breeze blowing in the direction of the explosion neither the shock wave nor the sound was very impressive. After the previous day's experience one might be inclined to deprecate this shot, but recollection of the fact that it was ten times as large as the Hiroshima explosion served as a useful antidote to any such ideas.

Incidental Impressions and Conclusions

15. It will be recalled that prior to the acceptance of the United States invitation to the test, there were some doubts about the usefulness of the attendance of members of the Canadian Section of the PJBD but that it was finally decided that they should go for the sake of good relations with their American colleagues. We learned in the course of the journey that the United Kingdom Government had had similar doubts and had come to the same conclusion.

16. In the light of our experience, it was the opinion of both the Canadian and U.K. observers that both Governments made the correct decision in sending senior representatives and that if this had not been done it would have been interpreted by the United States authorities as indicative of a lack of desire on our part for closer relations in this field. The U.S. officials at the Proving Ground repeatedly expressed the view that the limitation on cooperation imposed by their Atomic Energy Act had been undesirable; that our presence at the tests marked the first step in implementing the Canadian and British bilateral military atomic agreements; and that in future there should be a much more fruitful exchange of information within the terms of the bilateral agreements. Nevertheless, security remains very much of a preoccupation with U.S. atomic energy officials. We all had to read a lengthy security document and sign an undertaking not to discuss what we had seen except with persons properly cleared and with a "need-to-know". The "need-to-know" criterion is applied very strictly, even to senior U.S. officers on the test force, and the information at their disposal is very narrowly compartmentalized. It is because of the undertaking we gave that this report has been so highly classified.

17. In concluding this report a comment on the question of future United States thermonuclear tests may be of interest to the Department of External Affairs. There is every evidence, both from the nature of the programme and the effort being made to build up semipermanent facilities, that so far as the AEC and the Defence Department are concerned, testing will continue throughout the foreseeable future. This was born out by a conversation we had with the chief scientist of the project. He said, however, that in his opinion the current test series would bring to an end the period during which genuinely new scientific data have been obtained. The consequence of this would be an increasing difficulty in recruiting competent scientists for future tests. He added that unfortunately the only true scientist on the Commission, Dr. von Neumann, was dying of cancer, and the significance of this development would be lost on his colleagues.

SECTION K

SECTEUR DE BOMBARDEMENT DE LA BAIE JAMES
JAMES BAY BOMBING RANGE

135. PCO

Note du ministre de la Défense nationale pour le Comité du Cabinet sur la défense

Memorandum from Minister of National Defence to Cabinet Defence Committee

DOCUMENT NO. D-20-56 [Ottawa], September 26, 1956

CONFIDENTIAL

ESTABLISHMENT OF A BOMBING RANGE IN JAMES BAY FOR USE BY THE UNITED STATES AIR FORCE STRATEGIC AIR COMMAND

1. With the important object of improving the effectiveness of the Canadian air defence system, particularly with respect to electronic countermeasures and aircraft interceptions, the RCAF desires that the United States Air Force Strategic Air Command be encouraged to route more of its training flights through the main air defence area in Canada, thus gaining two major benefits for the RCAF. Firstly, this is by far the most economic means whereby the entire air defence system can be effectively exercised against modern bombers under realistic operating conditions. Secondly, because the RCAF possesses only limited Electronic Countermeasures training capability, the operation by Strategic Air Command aircraft of Electronic Countermeasures equipment provides urgently required training to RCAF fighter aircrew and ground control radar operators.

2. Strategic Air Command training flights are organized to provide maximum training for all crew members. Accordingly, by preference they are routed through areas containing a radar bomb scoring unit, counter Electronic Counter-measures, interceptor squadrons, aircraft control and warning units, bombing and gunnery ranges. Consequently, to encourage Strategic Air Command to schedule more of its training flights through Canada, it is desired to make available for Strategic Air Command use a bombing and gunnery range. For both the RCAF and Strategic Air Command the best location for this facility is in the James Bay area.

3. The RCAF, in consultation with other Government Departments, has selected an isolated and uninhabited water area in James Bay, under Federal Jurisdiction, bounded by 50°32'N, 79°40'W, 80°20'W, which will be suitable for a range. The range will not require to be manned and needs only the erection of a simple radar reflector target on a small uninhabited island, the only island in the range area, and the erection thereon of warning notices; all at negligible cost. The range area required is 25 x 50 miles in which high altitude practice bombing can be carried out by radar or visual bomb sighting, employing photo-flash practice bombs or concrete filled practice bombs containing a small powder charge for spotting. The firing of .5" and 20 millimeter aircraft guns within the area is included in order that all members of the bomber crew are exercised in their duties on each flight.

4. Coincident with the establishment of this training facility it will be necessary to amend existing regulations governing the clearance of United States Strategic Air Command

training flights over Canadian territory. Accordingly, it is recommended that Appendix "A" to the Permanent Joint Board on Defence Journal of Jan 1955, para (e) of Part I Section I (as approved by Cabinet Defence Committee at its 101st Meeting on Nov 12, 1954), be amended as per the underlined portions of the attached draft to include authority for dropping of practice bombs, photo-flash bombs, and air-to-air firing; employing only inert materials (non-Atomic).

Recommendation

5. The Chiefs of Staff recommend, and I concur, that the RCAF be granted permission to establish a bombing and air firing range in James Bay to support training flights by the United States Strategic Air Command over Canada.[94]

[R.O. CAMPNEY]

[APPENDICE A/APPENDIX A]

CONFIDENTIAL

MOVEMENT OF AIRCRAFT ACROSS THE BORDER

PART I

METHODS OF CLEARING FLIGHTS OF U.S. SERVICE AIRCRAFT OVER CANADIAN TERRITORY

Note: Service to Service — Either of the Services may make arrangements with the interested Service of the other country.

Type of Flight

1. Strategic Air Command Training Flights.

Channel of Communication and Clearing Authority

Service to Service — Cleared annually in advance by the Chief of the Air Staff with the following restrictions on flights:

(a) RCAF will be provided a flight plan of missions at least 24 hours prior to aircraft penetrating Canadian territory (Action copy to RCAF Air Defence Command; information copy to HQ RCAF).

(b) Instrument flight rule flight plans will be filed on all flights into or over Canadian territory.

(c) The number of aircraft participating in any single flight over Canadian territory should not exceed 25.

(d) While performing camera bombing and radar scope photography over Canadian cities, aircraft will fly over at a high altitude and no more than one aircraft should fly over a Canadian city at one time.

(e) When photo-flash bombs, practice bombs and other types of armament are carried, *or dropped within authorized Bombing and Gunnery Ranges*, all safety precautions as practiced in the U.S. are to be observed. (This document does not relate to the carrying of nuclear weapons or components.)

Approved by the Canadian Government on November 24, 1954.

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[94] Approuvé par le Comité du Cabinet sur la défense et par le Cabinet entier le 19 décembre 1956.
Approved by the Cabinet Defence Committee and by the full Cabinet on December 19, 1956.

(f) Comprehensive Visual Photographic Flight Logs and Radar Scope Logs will be completed for all photos taken over Canada and supplied to the RCAF in 5 copies.

(g) The RCAF will be supplied (upon request) with any photographs listed in the logs.

(h) The RCAF will receive one print of all photographs of Canadian territory taken north of sixty degrees north.

(i) When photography is obtained over established radar bomb scoring sites, (i) and (j) will be complied with for the initial flights only. Comprehensive logs of photography obtained on subsequent missions will be provided to the RCAF when coverage not included on the initial flights is obtained.

(j) When photography is obtained by aircraft in formation or by individual aircraft following the same flight path, the film strip of the best quality will be selected for processing in accordance with paras (i) and (j).

(k) All photographs taken over Canada will be given a classification of Confidential or higher and none will be distributed to another agency without prior reference to the RCAF.

SECTION L

STATIONS DE SONDAGE EXPÉRIMENTAL
EXPERIMENTAL SOUNDING STATIONS

136. DEA/50291-A-40

Note de la 1ère Direction de liaison avec la Défense pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Defence Liaison (1) Division to Under-Secretary of State for External Affairs

SECRET [Ottawa], April 25, 1957

SOUND SURVEILLANCE SITE SURVEYS

As you may know there is at Shelburne, Nova Scotia, a joint R.C.N.-U.S.N. sound surveillance station, and the Cabinet Defence Committee has approved (on September 27, 1955) the negotiation of an agreement with the United States for the construction of two additional stations, one in the Cape Canso area of Nova Scotia and the other near Windsor Harbour on Vancouver Island, roughly in accordance with the conditions governing the establishment and operation of the station at Shelburne.[95]

2. The negotiation of this agreement was undertaken but has been in abeyance for a year for technical reasons. Meanwhile the two Navies have continued with a programme of hydrographic and other surveys designed to collect the data necessary for the establishment of the stations. A necessary preliminary to such surveys is the establishment of navigational aids on shore by which the survey ships can fix their positions.

3. The attached Note No. 246 of April 23, 1957† from the U.S. Embassy requests permission for the U.S.N., in co-ordination with the R.C.N., to conduct on-site surveys in the vicinity of Estevan Point, Vancouver Island, designed to find suitable locations for the establishment of LORAC (navigational aid) stations for use in connection with proposed hydrographic operations this summer under Project Caesar (the establishment of the two

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[95] Voir/See Volume 21, Document 359.

proposed stations). The attached Note granting this request has been prepared for your signature, if you agree, in consultation with the Departments of National Defence and Transport.

4. The R.C.N. and U.S.N. have been rather slack in initiating the submission by the U.S. Embassy of diplomatic requests for this and previous surveys in the same series. In this case the R.C.N. attempted to persuade Mr. Macdonnell after working hours last Thursday to authorize informally the commencement of the surveys on Monday, April 22, subject to the subsequent submission of a diplomatic request. Mr. Macdonnell insisted however that the surveys be properly approved before they began. As a result, the present proposal of the U.S.N., as mentioned in our Note† is for the surveys to commence on Monday, April 29. We should therefore like, if possible, to give our Note to the U.S. Embassy today or tomorrow.

5. You will note that paragraph 4 of our Note in effect turns down the request for blanket permission for similar surveys which may or may not be necessary on the west coast of Vancouver Island between now and the summer of 1958. I consider that the granting of such an indefinite request would be undesirable in the light of the past slackness to which I have referred above and of the present state of public opinion with respect to our general relations with the United States. Furthermore, I think it would simply be bad practice.

K.C. BROWN

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137. DEA/50291-A-40

Note de la 1ère Direction de liaison avec la Défense
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Defence Liaison (1) Division
to Under-Secretary of State for External Affairs

SECRET [Ottawa], May 1, 1957

SOUND SURVEILLANCE SURVEYS

You asked me to let you have a memorandum on this subject in connection with your intention to call in Mr. Tyler Thompson.

2. The attached papers† contain the background up to the point at which I consulted you yesterday afternoon. As I told you then, the RCN had just received from the USN a copy of a message† containing the itinerary of the *USS Requisite* for the on-site surveys supposedly authorized by our Note No. DL 87 of April 25, 1957 (flagged). That Note authorizes the carrying out of "on-site surveys in the vicinity of Estevan Point, Vancouver Island", and specifically states in paragraph 4 that, if any other surveys are to be carried out on the West coast of Vancouver Island, requests specifying the proposed dates and places of such surveys should be submitted several weeks in advance through diplomatic channels.

3. Despite this, the instructions which have been issued to the *USS Requisite* by the USN are to undertake surveys at 7 points on the West coast of Vancouver Island, commencing today, May 1. These points extend for a distance of approximately 130 miles, i.e. 65 miles on either side of Estevan Point, and cover almost exactly half of the length of Vancouver Island. It is, I think, — and the RCN agrees on this — impossible to interpret "in the vicinity of Estevan Point" as meaning half the coastline.

4. In the light of what has happened, you could, I think, make the following points to Mr. Thompson:

(a) the events leading up to our Note No. DL 87 demonstrate once more the desirability of diplomatic authority for defence projects being sought in adequate time — while our Note was prepared with the greatest possible speed, the original schedule of the *USS Requisite* had to be delayed a week until our Note was ready.

(b) in our view, the surveys about to be undertaken by the *USS Requisite* are not authorized by our Note No. DL 87, except for the one in the immediate area of Estevan Point; while we are not proposing to hold up these on-site surveys, or to require the submission of a further diplomatic request for them, we wish the US authorities to know that we do not think they were properly authorized; in any case, as stated in paragraph 3 (d) of Note No. DL 87, we wish any requests, resulting from these surveys, for permission to establish LORAC stations or to conduct other operations, such as topographic or hydrographic surveys, or the laying of cables, to be the subject of a diplomatic note.[96]

5. I should perhaps remind you that, while in the above case the USN and possibly the State Department are the ones who have been at fault, the record of the RCN with respect to obtaining diplomatic authority for joint RCN-USN sound surveillance operations, has not been too good. Our letter of April 25† to Mr. Rewinkel was necessitated by the failure of the RCN to inform the USN of our requirement that authority for the establishment of the EPI station at Lance Point, Newfoundland, should be sought in a diplomatic note. And your letter of April 26† to Mr. Miller was in effect a refusal to agree with the desire of the RCN for the use of the stations authorized in our Note No. 254 of November 7, 1955, to be extended without the proper diplomatic authority.

KENNETH C. BROWN

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[96] Note marginale :/Marginal note:

May 2—Mr. Léger spoke to Mr. Thompson in accordance with the underlining. K.C. B[rown]

3^e PARTIE/PART 3

QUESTIONS ÉCONOMIQUES
ECONOMIC ISSUES

SECTION A

ÉLIMINATION DES SURPLUS DE BLÉ DES ÉTATS-UNIS
DISPOSAL OF UNITED STATES SURPLUS WHEAT

138. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], January 7, 1957

Present:

The Prime Minister (Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

U.S. SURPLUS DISPOSAL PROGRAMME FOR WHEAT; LETTER TO PRESIDENT EISENHOWER

23. *The Minister of Trade and Commerce* said that United States officials intended to extend the scope of their wheat surplus disposal programme. They were now negotiating a contract with France involving the sale of U.S. wheat to be financed with the payment for certain defence installations. Moreover, an announcement had been made that the U.S. government was prepared to subsidize sales of agricultural products to Poland. These arrangements, added to the already large programme of government-assisted sales, were bound to produce a most difficult situation for Canadian wheat producers.

24. *The Prime Minister* referred to his meeting with the U.S. President in Augusta, last December.[97] Mr. Eisenhower had then stated that the prosperity of the U.S. and Canada were intimately linked and that government policies should take this interdependence into account. Mr. St-Laurent suggested that he might take this opportunity to write to Mr. Eisenhower, who probably did not have a personal knowledge of the recent developments, regarding the disposal of wheat on the international market and its undesirable impact on the Canadian economy.

25. *The Cabinet* noted the reports of the Prime Minister and of the Minister of Trade and Commerce on the expanding scope of the U.S. wheat surplus disposal programme and agreed that a letter on the matter might be sent to President Eisenhower by the Prime Minister if he and the Minister of Trade and Commerce came to the conclusion that such a move would be helpful.

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139. L.S.L./Vol. 220

Le premier ministre
à l'adjoint du président des États-Unis

Prime Minister
to Assistant to President of United States

CONFIDENTIAL Ottawa, January 11, 1957

My dear Governor [Adams]:

I am enclosing a personal letter for the President which I do not wish to have any official character but which is along lines of the very pleasant talks I had with him in Augusta a few weeks ago when he was kind enough to provide me with a very enjoyable and memorable half-day with him.

I would be obliged to you if you would pass it on to him and tell him that it requires no reply because I think I appreciate the situation, with which it deals, well enough to be satisfied with having it come to his attention for such personal reactions to it as circumstances may permit.

With warm personal regards to you and very best wishes always,

Yours sincerely,
LOUIS S. ST-LAURENT

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[97] Pour une brève note au sujet de la visite, voir United States, Department of State, *Foreign Relations of the United States, 1955-1957*, Volume XXVII, Washington, D.C., United States Government Printing Office, 1992, page 877, note de bas de page 2.

For a short note on the visit see United States, Department of State, *Foreign Relations of the United States, 1955-1957*, Volume XXVII, Washington, D.C., United States Government Printing Office, 1992, page 877, footnote 2.

[PIÈCE JOINTE/ENCLOSURE]

Le premier ministre
au président des États-Unis

Prime Minister
to President of United States

PERSONAL Ottawa, January 11, 1957

Dear Mr. President:

I have such happy recollections of that pleasant half-day you were kind enough to let me have with you in Augusta a few weeks ago that I am venturing to write you this personal letter about a matter that has been giving me much concern.

I came away with the impression that you felt as I did, that the prosperity of your great country was quite intimately linked with that of our much less prosperous but rapidly-developing Canada. Though we are, of course, much more dependent upon what happens in the United States than your people are upon what happens up here, we nevertheless, on both sides of the line, have a better economic climate ourselves when that of the other country is also good.

It is natural and perhaps inevitable that certain things are done in some branches of our respective administrations that you and I do not always know about personally and do not always fit in with our own ideas of what might be best for both countries. I am so grateful to you for what you have done in the past that I am venturing to bring to your attention a situation which I hope will prove an occasion for further gratitude.

For several months now there has been growing concern in Canada about the impact of United States surplus disposal activities upon the position of our western wheat producers.

You may recall that, when the present surplus disposal programme was launched, you gave certain assurances that this programme would be administered in such a way as to avoid damage to the interests of friendly countries. These assurances were repeated from time to time by other United States officials and I believe that some of the laws relating to the matter contain safeguarding provisions along these lines. Nevertheless, in many cases the surplus disposal activities of the United States are causing definite and serious injury to Canadian wheat producers.

This matter was raised by Mr. C.D. Howe, Minister of Trade and Commerce, at the last meeting of the Joint United States-Canada Committee on Trade and Economic Affairs held in September 1955.[98] As a result of what was said by Mr. Howe, Mr. Benson arranged for officials of our two Governments to meet from time to time. These meetings have provided for useful exchange of views and there were occasions, I am told, when the policies of our respective countries were reconsidered in the light of what was said. The record, however, shows that the pace of U.S. surplus disposal of wheat has been stepped up rather than moderated since Mr. Howe first raised the matter with Mr. Benson.

The result is that the Canadian wheat producer, who is not subsidized, feels that he is being steadily squeezed out of markets by U.S. surpluses which are heavily subsidized or sold on non-commercial terms at the expense of your Treasury.

I know that the farm surplus problem is an extremely difficult one for you and your Administration, as it is for us. I know too that you are endeavouring to find a permanent solution that will avoid the recurrence of embarrassing surpluses. I am taking the liberty, therefore, of bringing to your attention what I am sure is an unintended result of the present activities of some of the United States agencies.

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[98] Voir/See Volume 21, Document 407.

The main reason for this injury is the magnitude of the U.S. surplus disposal programme for wheat. In one way or another, through subsidy, through sales for local currency, through tied-sales guaranteeing a proportion of future wheat markets to the United States, through barter arrangements and otherwise, your wheat is being made so attractive to importing countries that they reduce their purchases from Canada and other exporting countries, which cannot afford to subsidize on such a tremendous scale.

As an indication of the extending scope of these surplus disposal activities, your people are now, I am informed, negotiating a most extraordinary contract involving the sale of United States wheat connected in some way with the payment for certain defence installations in France. Just the other day an announcement was made that the United States is prepared to subsidize sales of agricultural products to Poland. These extensions of your surplus disposal activities, when added to the already large programme of government-assisted sales, are bound to produce an even more difficult situation for our wheat producers.

I would not ask you personally to look into the details of these operations but perhaps, if you had Mr. Gabriel Hauge do so, he could give you accurate picture of their probable repercussions. If you then felt that my concern is not unwarranted perhaps a word from the White House to your side of the United States-Canada Committee of officials, who discuss together trade and economic affairs, would assist in avoiding consequences which, I am sure, are not intended and could be quite harmful to our common prosperity.

With renewed thanks for your kind hospitality to my son and daughter and me in Augusta and warmest personal regards.

Yours most sincerely,
LOUIS S. ST-LAURENT

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140. L.S.L./Vol. 220

L'adjoint du président des États-Unis
au premier ministre

Assistant to President of United States
to Prime Minister

Washington, January 15, 1957

My dear Mr. Prime Minister:

I acknowledge with appreciation your letter of January 11th with which was enclosed the communication directed to the President. These letters were handed to me by your Ambassador, Mr. A.D.P. Heeney, and I agreed with him on the following course of action:

(1) A review of the transactions involving the foreign sale of wheat made during the last year and those contemplated to be made this year will be immediately undertaken.

(2) The concern you express about the policy of this government with respect to these transactions will be made known to the President.

(3) A response to you will be seasonably transmitted through your Ambassador.

May I say that the President was most happy about his visit with you in Augusta recently and would, if he were here, wish me to convey his personal regards and felicitations.

It is my hope that this year will bring you success and reward in your undertakings.

Sincerely,
SHERMAN ADAMS

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141. DEA/24-40

Le ministre du Commerce
à l'ambassadeur aux États-Unis

Minister of Trade and Commerce
to Ambassador in United States

[Ottawa, February 1, 1957]

Dear Mr. Heeney:

I have carefully noted your communications† arising out of the Prime Minister's personal letter to the President on U.S. surplus disposal. You anticipate that you might be asked to present the Canadian position in greater detail, perhaps to Gabriel Hauge.

I welcome the indication that the Administration will undertake a complete review of their program, past and future. Ambassador Merchant paid us a call recently in the course of which I plainly indicated the gravity with which the Canadian Government views the effects on Canada of the U.S. disposal policy.

The notes you sent by telegram (No. 184†) on January 17th, are very good. It may be, however, that our further representations will have to take a quite different form and with that in view I have had Mitchell Sharp prepare the attached memorandum. You are free to use this as you see fit either above or to supplement the notes you sent by telegram. One important point is covered in Mr. Sharp's memorandum which is arising from yours, namely the flour subsidy.

You may decide that it is advisable for you to take the initiative in clarifying the Canadian position with Hauge or some other official. On the other hand you may be called by the Americans. Whatever develops and you believe it would be helpful, I could arrange to have Mr. Sharp go to Washington on 24 hours notice.

Yours sincerely,
C.D. HOWE

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

THE EFFECT ON CANADA OF U.S. SURPLUS WHEAT DISPOSAL POLICIES AND PROGRAMMES

In reply to the Prime Minister's letter, the United States Department of Agriculture can be expected to defend their surplus disposal activities. They will probably contend inter alia that:

(1) Subsidization of U.S. exports is necessary to bring their high domestic prices into line with world prices and that they are following rather than making the world market level.

(2) Sales for local currency are offered only to countries that cannot afford to pay in dollars, that these sales represent an addition to total demand and that they do not replace normal commercial sales of Canada or of any other country, including the United States.

(3) "Tied sales", whereby countries in receipt of wheat under PL 480 guarantee to buy stated quantities from the United States, are required to implement the terms of PL 480 and are not for amounts in excess of what can be considered normal U.S. sales to those countries.

(4) There are no special inducements to engage in barter transactions.

(5) Apart from additional exports to countries which are able to take additional wheat because they can pay in local currency, the U.S. is obtaining only a fair share of total import demand.

(6) Canada is obtaining a fair share of total import demand on the basis of past experience.

We do not accept any of these statements as valid. In brief, our counter-contentions are as follows with respect to each of the foregoing points:

1. Subsidization of exports is undoubtedly necessary, given U.S. domestic wheat supports. The rates of subsidy paid on the various grades of wheat are such, however, that United States wheat has become so cheap that it is displacing Canadian wheat in traditional Canadian markets. It is the degree of subsidy, quite apart from other forms of export programmes, which is now causing increasing disruption to the world price level and favouring the purchase by importers of U.S. wheat. The Canadian Wheat Board has followed a policy of stabilizing the market by holding prices of Canadian wheat steady (The price of Number One Northern wheat in store at Ft. William or Vancouver is not lower than it was 2 1/2 years ago). On the other hand, for example, U.S. One Hard Winter wheat is now being offered in the United Kingdom for the equivalent of 26 cents per bushel below Canadian No. 1 Northern, whereas just a year ago, the difference was 15 cents per bushel. High subsidies, amounting to 88 to 92 cents per bushel are being paid on U.S. Dark Northern Springs, for shipment from the Pacific Coast, with the result that this grade of U.S. wheat is now being sold in Japan which formerly took almost all its hard spring wheats from Canada.

U.S. flour millers are in an especially advantageous position because of the basis on which subsidies are paid to them. In effect there is a higher subsidy on flour exports than on wheat exports. Canadian millers pay exactly the same prices as any other buyer for Canadian wheat. As a result not only are Canadian millers compelled to meet the competition arising from the generally lower level of U.S. wheat prices on world markets but they must also attempt to compete with U.S. mills which receive an additional subsidy on flour exports. Needless to say Canadian millers are coming off very much a second best in this unequal struggle. They have lost traditional markets, particularly in the Caribbean areas and South America, and stand to suffer even greater losses in the Philippines and elsewhere.

2. The declared purpose of sales for local currencies is to dispose of surpluses to countries which cannot pay dollars. There is no way of determining exactly how much cash any particular country is prepared to pay for an essential foodstuff like wheat. Experience shows that wheat will always have a high degree of priority in competing claims for scarce dollars.

Sales for local currency are therefore bound to reduce commercial sales to some degree.

Canada's complaint, however, does not rest upon this incidental and unavoidable reduction of commercial markets. It is directed against the vigour with which the U.S. has been pushing this phase of its programme. The impression we have gained is that this programme is not being administered primarily for the benefit of the recipient country but mainly, if not entirely, as a means of disposing of United States surpluses. By contrast, countries in receipt of aid from Canada under the Colombo Plan are given their choice among the products available in Canada; they receive wheat only if that is the product on which they wish to spend the aid offered.

So great is the quantity of wheat being disposed of under PL 480 that many of the recipient countries (e.g. Brazil and India) will find it difficult to absorb the quantities available and will not be in the market for wheat from any other country to which they are not already committed.

Canada believes that most of the sales of U.S.A. wheat for local currency to Latin American countries could have been made on a commercial basis. Colombia is a particular example. Canada could have sold substantially more wheat to France, Greece, Finland, Turkey, Ecuador, Portugal and Israel if these countries had not been able to obtain wheat for local currency under Title 1 of Public Law 480, or under Section 402 of the Mutual Security Act. Portugal and Turkey are examples of countries which had short crops and to which Canada could logically expect to sell, were it not for U.S. sales in local currency.

In the case of the U.S. agreement with Brazil, Canada considers that this is likely to reduce the amount that the Argentine could have marketed to Brazil and consequently force Argentina to sell more to Europe in direct competition with Canada.

3. "Tied Sales" are in our view directly opposed to the multilateral principles to which both Canada and the U.S. adhere. They mean that the U.S. obtains not only what the U.S. considers to be a normal share of the commercial market but in addition, of course, the much larger share represented by the sale for local currency. We do not accept the interpretation that guaranteed sales of U.S. wheat are necessary to implement the direction of PL 480 to take "reasonable precautions to safeguard the usual marketings of the United States". A commercial quota open to competition among all exporters would, in our view, be equally acceptable.

4. We cannot believe that there are no special inducements to engage in barter transactions involving wheat. Our trade reports are to the contrary. U.S. wheat purchased under barter arrangements is being offered in markets such as the United Kingdom, Western Germany, Belgium and Japan at prices even lower than those resulting from the payment of ordinary subsidies.

5. and 6. Anything can be proved by statistics as to what should be the normal proportion of export markets enjoyed by Canada and the United States. Pre-war figures give the United States a very small share; post-war figures a larger share. The U.S. likes to use the period immediately following the war when Canadian stocks were low and crops moderate and the U.S. with abundant supplies was able to capture a high proportion of the very high demand then existing. This is not a proper basis of comparison in our view.

This statistical argument is fruitless. Our point is that United States producers would not, if they did not have the vast resources of the U.S. Treasury at their disposal, be able to capture and hold as high a proportion of world markets as at present. The U.S. Government is in other words, pushing a part of its own surplus problems on to the shoulders of the Canadian producer and to the detriment of the Canadian economy. The U.S. is at least as well able to hold stocks as is Canada. We are prepared to hold stocks. We believe that the present situation of excessive crops in North America will pass — either as a result of natural causes, or as a result of positive curtailment of output. We do not think it is fair that the Canadian producer should in the interim have to bear an excessive part of the burden.

In brief, we are not arguing against any specific part of the U.S. surplus disposal programme. Our contention is simply that the United States is pushing every phase of its disposal programme to the point where it is causing real and serious injury to the citizens of a good neighbour and without any offsetting gain in other directions. Not only so, but we believe that the cost to the U.S. Treasury will be lower if greater moderation is used.

Specifically we urge:

(1) A reduction in export subsidy rates so that the price at which U.S. wheat is offered abroad will be in line with world prices rather than constituting a continual price depressant.

(2) Such action as will ensure that the price of wheat for the export of flour is identical to that at which wheat is exported, thereby eliminating the additional price advantage which the U.S. flour milling industry presently enjoys.

(3) Re-examination of the provision under Title 1 — P.L. 480 requiring "reasonable precautions to safeguard the usual marketings of the U.S.A." with a view to eliminating from future agreements any requirement that countries obtaining wheat for local currency undertake to purchase a specified quantity of U.S. wheat for dollars.

(4) Restraint in providing countries with wheat for local currency so as to minimize the degree to which such sales are bound to reduce commercial sales.

(5) Elimination of the direct injury to other exporters and disruption to the market caused by offerings of wheat obtained under barter arrangements.

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142. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 240 Washington, February 2, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Our tel 123 Jan 17.†

USA AGRICULTURAL SURPLUS DISPOSAL ACTIVITIES

Sherman Adams, the Assistant to the President, invited me to see him at the White House this morning. He had Gabriel Hauge, the President's Economic Adviser, with him. The purpose was to discuss the reply to be sent from the President to the Prime Minister, following the review by the White House which had been agreed upon in response to Mr. St. Laurent's letter to Mr. Eisenhower of January 11.

2. Adams began by saying that the White House had now completed the review of transactions involving the foreign sale of wheat, past and contemplated, and a written reply would now go forward to the Prime Minister. This would necessarily be in general terms but he wished to convey to me, orally, some of the particular results of their investigation, for our own confidential info and guidance. The review had been conducted by Hauge who would tell me what he had discovered.

3. Hauge said that he had gone into the facts of past transactions and the prospects for future transactions with officials of the agencies concerned (principally Agriculture and State). In his opinion this had been a useful exercise, from the Administration's point of view, as well as in the Canadian interest. With the size and complexities of the USA administrative machine, it was impossible for the White House to be aware at all times of what was surpluses, and concurrently to institute policies which would prevent further excessive accumulations. The fact that this year the agriculture budget amounted to $5 billion was evidence that the USA were "not sparing (their) own horses" in their efforts to solve this very stubborn problem. It was not only other countries that felt the impact of their efforts at surplus disposal.

5. With regard to means and methods employed by the USA in individual wheat transactions, Hauge admitted, frankly, that his investigations had revealed that, under congressional pressure, things had been done which would jeopardize and damage commercial marketings. These affected USA as well as Canadian sales, for we had common interest in maintaining the dollar market for wheat. In this connection Hauge referred particularly to the deals with Colombia and Portugal.

6. With regard to the French barter deal, Hauge's review of the facts led him to agree that the results could be damaging to Canadian (and USA) commercial transactions, though not precisely in the way indicated in the Prime Minister's letter. The conditions of this agreement might well lead to the displacement of commercial wheat in countries where the American company dealing with the CCC delivered its grain or other commodities acquired from the corporation. The Administration would see what could be done to avoid the most serious consequences of this operation which, incidentally was authorized not under Public Law 480 but by special legislation (PL 698).

7. With regard to the future, Hauge said that the present tendency was to seek outlets for surplus wheat in the underdeveloped countries and those without dollar resources. Here the effect upon the Canadian position would be less harmful.

8. Speaking of prospects in the satellite countries, Hauge expressed the view that economic as well as political factors were not now favourable. The USSR appeared to be in a better position to provide for the needs of their Eastern European allies and there were political as well as legal barriers in the way of the USA giving aid to Communist régimes. Concerning Poland, in particular, where, as a matter of policy, we might both wish to reduce reliance on the USSR, what means were open to the USA? For a barter deal, what had the Poles to offer in return? For a transaction under PL 480, the Poles were committed to accept no aid "with strings attached", but the USA law required just such strings. In general, Hauge concluded that there were no USA deals imminent of the kind of which we complained because of present and prospective circumstances, political as well as economic.

9. At my suggestion, Hauge agreed to elaborate further upon the results of his investigation with Ritchie and Hopper and I am arranging for an appointment with him for this purpose, next week.

10. In connection with our difficulties over wheat marketing, Hauge enquired whether we were thinking of an early meeting of the Joint Economic Committee. When I replied that we had not thought that such a meeting would be likely to be particularly useful at this time, he expressed the view that the Committee should meet at least once a year if it were to remain alive. It is a mechanism to which Hauge at least attaches considerable importance.

11. When Hauge had concluded his review, Adams said that he wanted us to know that the President had taken a real personal interest in our problem. He had discussed the Prime

Minister's letter at some length and had given instructions that, in this matter, the USA should so far as possible avoid courses which interferred with Canadian trade. The USA should behave as the good neighbours that they were with Canada and conduct their disposal operations with this in mind. The President's wishes in this respect had been communicated to the departments and officials concerned.

12. Finally, Adams showed me the draft reply which had been prepared to the Prime Minister's letter to the President. This seemed to me satisfactory from our point of view. It is now to be submitted to the President for signature and delivered to me to be forwarded to Mr. St. Laurent. When I receive it I will send it forward by telegram. It is understood that for the present at all events Mr. St. Laurent's letter and Mr. Eisenhower's reply will not, repeat not, be made public. If it is desired to make any public reference to the fact that the Prime Minister has been in communication with the President, on this subject, I feel that we should make quite sure to concert, in advance, with the White House.

13. There is no doubt in my mind that the White House have gone seriously into these problems of USA wheat disposal policies and practices, with the Canadian interest in mind. What the results will be it is difficult to forecast, but we can at least be certain that the desire and direction of the President that USA agencies conduct themselves, under their law, so as to cause least harm to our interests should now be well known to them.

14. We will be reporting to you again after our talk next week with Gabriel Hauge.

15. Please deliver copies of this message, as soon as possible, to Mr. St. Laurent and Mr. Howe.

[A.D.P.] HEENEY

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143. L.S.L./Vol. 220

Le président des États-Unis
au premier ministre

President of United States
to Prime Minister

Washington, February 5, 1957

Dear Mr. Prime Minister:

Since Governor Adams' letter to you of January fifteenth, he has proceeded with the course of action there outlined to evaluate for me the problem about which you wrote to me concerning the impact of our surplus disposal program on your western wheat producers. An oral report has been given to your Ambassador here for transmittal to you.

A review of the transactions involving our foreign sales of wheat last year and those projected for this year has been made and has been discussed with me. In turn, I have given instructions to communicate my deep concern in the matter to United States representatives who participate with Canadian officials in periodic conferences on wheat export problems. In addition, my recognition of the complex nature of this problem is being brought to the attention of our Council on Foreign Economic Policy.

Needless to say, I am keenly interested in working toward our essential goals in this field with the fullest possible consideration of its impact on Canada. It may be unreasonable to hope that disagreement will be eliminated from all areas in which Canada is affected by our emergency surplus disposal program, but I want you to know that it is the intention of all of us here to reduce to a minimum the points at which our respective interests diverge.

We shall continue to keep your representatives informed through normal channels of developments in our surplus disposal program and will, I assure you, be prepared to review with Canadian officials those aspects of our policy which appear to jeopardize Canadian interests.

Sincerely,
DWIGHT D. EISENHOWER

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144. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 266 Washington, February 6, 1957

CONFIDENTIAL. IMMEDIATE.
Reference: My tel 240 Feb 2.

USA WHEAT DISPOSAL

I am now proposing to see Hauge for about half an hour after 3 o'clock this Friday afternoon with Ritchie and Hopper. Since there will not be much time for discussion, and since Hauge himself will be going away from Washington almost immediately for a week or so, I would propose to leave with him informally a slightly edited version of the very useful memo on "The effect on Canada of USA surplus wheat disposal policies and programmes", which Mr. Howe sent to me with his letter of February 1. This memo seems to me to make very effectively the points which I would wish to register with Hauge. If they are given to him on paper, he may have a chance to study them while he is away, and would have something on which he could get other officials to do some reflecting during his absence.

2. I do not think it necessary for Mr. Sharp to come down to Washington for this conversation on Friday, although it may very well be desirable for him to join with us in following up this subject later when Hauge and the other officials concerned will have had time to consider our arguments.

3. In view of the considerable latitude given to me in Mr. Howe's letter, I am making a few editorial changes in the memo, and, in particular, I am redrafting the third subpara, section 2, along the following lines: "While the effects of these local-currency sales on commercial exports of wheat may be somewhat less when the sales are made to underdeveloped countries than is the case when they are made to the larger importing countries, such transactions may have additional unfortunate consequences when directed at underdeveloped areas; in particular they may tend to cast doubt on the motives behind, and the usefulness of, the general programmes of the USA, Canada and other Western countries aimed at helping those areas to make more rapid progress in developing their economies. The USA surplus disposal programme is being pushed with such vigour in the underdeveloped countries and elsewhere that the impression is becoming rather widespread that this programme is not being administered primarily for the benefit of the recipient country, but mainly, if not entirely as a means of disposing of USA surpluses. By contrast, countries in

receipt of aid from Canada under the Colombo Plan are given their choice among the products available in Canada; they receive wheat only if that is the product on which they wish to spend the aid offered, and in fact they have been [generally][99] supplied with wheat from Canada only in exceptional cases where they were confronted with a famine or at least a very serious food shortage."

4. If you have any different views, I should be grateful to receive them by immediate telegram in view of the shortness of time. If I do not hear from you, I shall go ahead along the lines indicated above.[100]

5. Incidentally, I would not propose to give copies of the proposed memo to the State Department or to the Department of Agriculture, in view of its informal character and since I think it might have more effect if it reaches them through Hauge's office.

[A.D.P.] HEENEY

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145. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 293 Washington, February 8, 1957

CONFIDENTIAL

Reference: Our tels 266 Feb 6 and 269 Feb 7.†

USA WHEAT SURPLUS DISPOSAL ACTIVITIES

Ritchie, Hopper and I called on Hauge in the White House Executive Office this afternoon and left with him the memo referred to in my earlier message. I said that we would be happy to discuss the subject with him or with anyone whom he might designate after he had an opportunity to read the memo. I did not attempt to take him through the arguments in the paper, but merely mentioned the main points discussed in it.

2. Without commenting on the substance of the paper, Hauge remarked that he thought it was very useful to have this kind of subject brought up at least in general terms for consideration within the White House Office. He and his associates in the Executive Office could not attempt to administer the surplus disposal programme or even to keep in touch with all of the details. It was nevertheless desirable that they should examine any substantial problem which arose with a view to ensuring that the President's wishes were being fully carried out. Even with the best will in the world, the various departments and agencies in a bureaucracy as large as that in Washington would almost inevitably do things occasionally which did not reflect the real intentions of the President. He was not, I am sure, intending to imply that the surplus disposal programmes were necessarily in conflict with the President's desires but was merely indicating that the memo which we had given him would be

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[99] Le mot « generally » a été ajouté après coup. Voir Washington à Ottawa, télégramme 269, 7 février 1957, MAE 24-40.
The word "generally" was added as an afterthought. See Washington to Ottawa, Telegram 269, February 7, 1957, DEA 24-40.

[100] Note marginale :/Marginal Note:
Mr. Couillard: I read this telegram to Sharp who agrees with the course suggested. J.F. G[randy]
OK [Louis Couillard]

studied by himself and others in the light of the President's own general views on the subject. I have no doubt that after this study, we shall be invited to discuss the matter further with Hauge.

3. Hauge referred to the meetings of USA-Canadian officials concerned with wheat marketing and said he had the impression that at the beginning of the latest meeting our representatives were somewhat doubtful concerning the value of those discussions. He gathered that as that meeting progressed our people may have somewhat changed their views concerning its usefulness. He implied (as the President's letter to the Prime Minister also intimates) that these periodic conferences on wheat export problems could continue to serve a useful purpose.

4. There was also some talk about a further meeting of the Joint Ministerial Committee if that body was going to continue in existence. Hauge agreed that the future of the Committee and the timing of any further meeting might be discussed sometime after mid-summer.

[A.D.P.] HEENEY

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146. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 796 Washington, April 5, 1957

SECRET. OPIMMEDIATE.
Repeat Dept T&C (for Mitchell Sharp) (Information).

WHEAT FOR POLAND

When we were with Kalijarvi this morning, in connection with potatoes, he raised with us the question of a possible joint operation for supplying wheat to Poland. He said that they were nearing the end of the negotiations on the rest of the package but the Poles were showing some dissatisfaction with the contents. They were somewhat concerned about their wheat requirements and were likely to continue pressing for the inclusion of some wheat. Kalijarvi assured us that the USA side were still proceeding on the assumption that no wheat would be provided by the USA unilaterally to Poland.

2. We took advantage of Kalijarvi's enquiry to emphasize how troubled we had been by Secretary Benson's remarks about Eastern European markets and by the inconsistency between those views and the assurances concerning USA intentions or motives which had been given by a State Department representative at the meeting of officials. We also let Kalijarvi know how serious we thought the wheat marketing situation had become and how discouraged we were by the attitudes displayed at Monday's meeting.

3. We recalled that the possibility which Kalijarvi mentioned had been referred to rather vaguely during the recent wheat talks. We did not know what chance there was of some such arrangement being worked out but we undertook to get a reaction from you. We pointed out that so far Canada had been selling wheat to Poland on commercial terms with the government (or the export credits insurance corporation) merely guaranteeing credits arranged by the Poles privately. We did not know what the prospect was for combining this sort of approach with the methods indulged in by the USA of or our adopting a different approach as part of a joint USA-Canadian arrangement.

4. Kalijarvi stressed that his question was necessarily somewhat hypothetical since he could not be sure that the Poles would press strongly for wheat or that the USA would be willing and able to accede to an insistent request, even if action could be concerted with Canada. He also recognized that any arrangement for joint supply would require a good deal of working out. Even their own thoughts were nebulous. What they would like to know, however, is whether if the matter became active you would be prepared to consider and discuss the possibility.

[A.D.P.] HEENEY

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147. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 868 Washington, April 11, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Our Tel 814 Apr 8.†
Repeat Dept T & C (for Mitchell Sharp) (Information).

USA POLISH AID NEGOTIATIONS

This afternoon we were invited by John Leddy in the State Department to call on him and Clarence Nichols of the International Trade and Resources Division in order to hear what had been happening over the past two days in the economic talks with the Poles and to learn more of what the USA had in mind in suggesting the possibility of some joint operation relating to wheat.

2. According to Leddy, the USA offer, along the lines reported in our earlier telegram, was not well received by the Poles. They were not too pleased with the commodity composition of the offer and they were dissatisfied with the prices charged on the goods offered under PL480 (which were current domestic prices rather than the lower export prices). They also did not like the fact that, in order to take advantage of the CCC credit portion of the offer, they would have to make arrangements with West German intermediaries since USA exporters could not or would not take the risks involved in supplying goods directly to Poland on the basis of credits extended to them by the CCC.

3. After reacting to the USA offer in this manner on Monday, the Poles came back with a counter-proposal of their own on Tuesday. According to Leddy, the following were the main elements in the Polish counter-suggestion:

(a) The aid to be provided under PL480 or indirectly through the EX-IM Bank should amount to about 80 million dollars plus an additional 10 or 15 million dollars towards transport and handling costs.

(b) The goods to be supplied should be priced at export prices.

(c) The programme should include the following commodities: 50,000 tons of cotton (representing the expected import deficiency in 1957 and half of the desired reserve); 500,000 tons of wheat (representing half of the stockpile which the Poles have said would be necessary in order to enable them to adopt more liberal agricultural policies and do away with compulsory deliveries); 10 million dollars worth of fats and oils and a small quantity of machinery for agriculture and coal mining.

4. Apparently the credit terms expected by the Poles for the bulk of the programme would involve a five-year period of grace and scheduled repurchases of zloties with dollars thereafter for a period which might run for as long as thirty-five years.

5. Leddy intimated that in addition the CCC might possibly provide credit facilities to USA exporters who would be prepared to supply commodities from the CCC's inventories directly to Poland. This would be a matter to be worked out largely between individual exporters and the Polish authorities. Under present CCC policies, such credit to USA exporters is not available for wheat although there is apparently nothing in the legislation which would prevent the CCC from applying the system to wheat if that was considered advisable. There was no suggestion, however, that the CCC was thinking of making these facilities available for wheat.

6. In connection with the wheat component in the programme which the USA government was now considering, Leddy and Nichols emphasized that it had been put in by the Poles and not by the USA and that, insofar as it was being viewed favourably within the USA negotiating team, it was being supported by the State Department on political grounds rather than by Agriculture on commercial or surplus-disposal grounds. They said that Agriculture in fact had scarcely mentioned wheat during the interdepartmental talks so far. Leddy also stressed that the programme suggested by the Poles had not by any means been accepted yet by the USA Administration. Acceptance of it would require decisions at the highest level including a decision to shift funds from other programmes now under negotiation or virtually to encumber funds not yet appropriated. Before seeking any such decision the State Department was anxious to have our views on the suggestion concerning wheat. They would like to know (a) Whether we would be prepared to provide all or part of this quantity of wheat on some basis which the Poles could accept in their present financial situation (Nichols said that if we were willing to take this on he did not think anyone here would mind since their main objective was, as stated earlier, to get wheat into Poland for essentially political reasons), (b) If we would not be willing to meet all or part of this Polish requirement, what would our attitude be towards the USA meeting it?

7. Nichols recalled that during the recent wheat talks some mention had been made of the possibility of securing an assurance from the Poles that if they were provided with wheat for stockpiling purposes they would not let this interfere with their normal volume of commercial imports. He said he doubted that such an assurance would have much meaning. He also noted that, in appearances at least, it might seem to guarantee the Soviets their present position in the Polish market, which would not of course be desirable from a USA point of view. He assumed that we would not expect the USA to exact an undertaking with respect to imports from Canada alone. He also observed that the imposition of formal restrictions on the use of the stockpile might defeat the purpose which the Poles had in mind, since they might not then seem able to use, or threaten to use, their wheat reserves sufficiently freely to persuade the peasants to increase their own production and refrain from hoarding.

8. We said that we did not of course know whether the quantity of wheat now sought by the Poles was necessary in order to permit them to liberalize their agricultural policies or whether, if it were to be supplied, it would necessarily result in such a liberalization. This was a matter on which opinions might differ. We had no doubt that Canada shared the same interest as the USA in encouraging recent political tendencies in Poland. We added that it would be less difficult for us to contemplate the economic sacrifices which might be involved for us in the Polish market in order to promote these political purposes if we were not faring so badly in other markets as a result of USA behaviour. We appreciated that the proposal to supply wheat had come from the Polish side and we were interested to hear that the State Department rather than the Department of Agriculture had the primary responsibility in this case. The source of the suggestion and the motives underlying USA consider-

ation of it were not, however, relevant to the practical effects which acceptance of it could have on our wheat marketing position.

9. We enquired whether it might not be possible for the USA to supply more of other things which the Poles would otherwise have to import and thus leave them in a better position to continue financing wheat purchases more or less on a commercial basis. For example, might it not be feasible to provide more machinery of the kinds which the Poles were planning to import from Western countries with foreign currencies or to import from the USSR in return for readily marketable coal. Such an alternative would clearly be preferable from our point of view and, to the extent that it reduced Polish dependence on the Soviets for capital equipment and spare parts, might have some good secondary political effects. Both Leddy and Nichols said that wheat was what the Poles wanted and they were strongly insisting on it. Nichols added that he thought it was politically important for the West to provide their wheat. He observed that it would be difficult to justify withholding wheat from one Eastern Europe country after it had been supplied fairly readily and in substantial quantities to Yugoslavia.

10. We asked the State Department officials when this wheat might be delivered if the USA were to accept the Polish proposal. Nichols said that, when and if agreement is reached, the timing of shipments will be largely a matter for the Poles to determine in the light of their storage position and the availability of shipping tonnage. He did not think we could assume that shipments would necessarily be deferred beyond this fiscal year.

11. Nichols indicated that they would probably be resuming their talks with the Poles next week and would be grateful to have such comments as we might be able to make by then, even though final decisions might not be taken here until some weeks later. We shall be sending you our comments and suggestions in a further message tomorrow morning.

[A.D.P.] HEENEY

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148. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 873 Washington, April 12, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Our tel 868 Apr 11.
Repeat T & C Mr. Mitchell Sharp (Information).

USA POLISH AID NEGOTIATIONS

Following the phone call this morning from Mitchell Sharp, we phoned Leddy in the State Department to give him orally the quick and sharp reaction which the Polish proposal regarding wheat had met in Ottawa. We said that the apparent inclination on the part of the USA to consider the provision of wheat on such terms had occasioned "the most acute distress". We pointed out that while the State Department might see some arguments for accommodating the Poles in this manner, they should be under no illusions about the seriousness of the political consequences for Canadian-USA relations. We remarked that in our negotiations with the Poles we had kept as closely as possible to commercial terms. If the USA were to consider supplying all or part of the quantity of wheat now suggested on somewhat similar terms to those which we had negotiated, that would be a different matter; but what apparently now was being contemplated was a deal based in effect on a long-term interest-free credit. Such an arrangement would almost certainly rule out future sales by Canada or other exporters on a commercial basis to Poland or for that matter to many other normal customers.

2. Leddy said there was not a hope of the Poles being able now to finance the quantity they need on the terms accepted for the smaller and earlier purchases from Canada. We again enquired whether that would necessarily be the case if the USA were to provide the Poles with some other things in their total import programme, thereby releasing foreign exchange for continued wheat purchases. We thought that the dangers in upsetting the wheat market were so serious (not only from our point of view but from the point of view of the world economy generally) that the alternative possibilities should be thoroughly examined especially since some of them would affect Soviet exports more than the exports of friendly countries. Leddy doubted that there was much scope in this direction.

3. We told Leddy that we might be making more formal representations to the USA Administration within the next few days. Meanwhile he could take our conversation as an accurate indication of our strong views.

4. Leddy reported that Merchant had already been in to see Dillon about the reaction which the USA Embassy had received this morning in Ottawa.

5. If you wish us to make more specific and formal representations we assume that you will give us instructions.

[A.D.P.] HEENEY

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149. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], April 15, 1957

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Finance (Mr. Harris),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).

The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Pelletier), (Mr. Martin).

. . .

UNITED STATES; DISPOSAL OF AGRICULTURAL SURPLUSES
(PREVIOUS REFERENCE JAN. 7)

30. *The Secretary of State for External Affairs* reported that the United States was proposing to dispose of further quantities of its surplus agricultural products in a manner which would be deeply resented in western Canada. Large amounts of wheat would be shipped on credit to Poland to enable the Poles to become independent of Russia for their supplies, so it was said. Tied sales to Austria, Iceland and elsewhere were also contemplated. He was not sure if anything could be done, but he would at least try to prevent announcements about these transactions for the time being.

31. *The Cabinet* noted the report of the Secretary of State for External Affairs on United States plans for disposing of surplus agricultural products, including wheat, to European countries in the near future.

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150. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 899 Washington, April 15, 1957

CONFIDENTIAL. PRIORITY.
Reference: Our tels 873 Apr 12 and 868 Apr 11.
Repeat Dept T & C (for Mitchell Sharp) (Information).

USA-POLISH AID NEGOTIATIONS

Leddy phoned this morning to enquire further about our attitude towards the two hypothetical questions asked in paragraph 6 of our telegram 868. In the course of the conversation he asked whether the rather vigorous reaction which we had conveyed to him and which had reached him in equally strong terms through the USA Embassy in Ottawa represented the firm views of the Canadian Government as a whole. He wondered, for instance, whether this reaction reflected the thinking of those concerned with foreign policy matters in the Canadian Government who might be expected to attach considerable importance to the encouragement of further liberalization of the Polish economic and political system. We said that we thought the comments which the State Department had received could be taken as representing the Canadian Government's position. While there might be differences in shading, we doubted that there would be any significant divergence of view in this case between those concerned in External Affairs and those dealing with this matter in other departments. We were sure that all departments recognized the importance of encouraging the tendencies which had recently developed in Poland. Even those who were primarily concerned with this aspect, however, would no doubt question whether this should happen at the expense of Canada's economic position. If meeting the Polish request (by either the USA or Canada) required the adoption of practices which would further endanger the wheat marketing prospect and thereby lessen Canada's capacity to play its part in international affairs, it was unlikely that anybody in Ottawa would regard the proposal as an advantageous one even from the international political point of view. Moreover, if one of the main results of the transaction would be to place a further strain on USA-Canadian relations (which would almost inevitably happen if the USA itself were to meet the Polish request), we would not be surprised to find that the proposal was looked upon with disfavour from an External Affairs viewpoint. In short, we thought there were political considerations which might be regarded, from the Canadian point of view, as outweighing the political advantages attributed to the proposal and as reinforcing the commercial objections.

2. Leddy enquired whether much attention had been given in Ottawa to the suggestion that some or all of the additional wheat might be supplied by Canada. We replied that undoubtedly this possibility had been examined. We added that for us to offer wheat to Poland on terms anywhere near comparable with those mentioned in the USA negotiations would reduce the likelihood of further sales on a commercial basis even to Poland itself and might affect the terms on which other importing countries would be prepared to buy wheat from Canada. Leddy remarked that according to his understanding the Poles would still need to import wheat this year and subsequently to meet their current requirements, and would probably be at least as willing and able to finance such imports on commercial terms if this transaction were to go through as they would be if the proposal were to be rejected.

3. Leddy concluded by saying that this whole proposition was going to have to receive a good deal more study and that they would no doubt be discussing the possibilities with us again. Meanwhile they would welcome any comments which might help them through the dilemma which they are facing (a dilemma in which they feel the West generally, including Canada, is also involved).

[A.D.P.] HEENEY

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151. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 929 Washington, April 18, 1957

CONFIDENTIAL. PRIORITY.
Reference: Tel 1082 Apr 16 from Permis New York.†
Repeat Permis New York, (Priority) Dept T&C (Mr. Mitchell Sharp) (Information).

PROVISION OF WHEAT TO POLAND

The Polish Ambassador here called on us yesterday morning at his request, and spoke to us very much along the lines of Michalowski's conversation with our delegation in New York.

2. The Ambassador said that he had heard "from various sources" of our concern about a request which they had made to the USA for 1,200,000 tons of wheat (he made no mention of the fact that their request had since been reduced reluctantly to about half that amount; neither did he intimate that he was approaching us at the suggestion of the USA negotiators). He wondered whether we realized that this quantity was being sought solely as a reserve and that it would not affect "in any way" their imports from various countries for current consumption. He pointed out that this amount was equivalent to only three months' supply for urban consumers. With a stockpile of this size, it was the hope of the Polish

Government that, particularly in order to improve the state of Polish agriculture and raise production levels, compulsory deliveries could be dispensed with and a free market established for agricultural products generally within Poland. He confirmed that what they were seeking from the USA was a longterm credit involving payments temporarily in zloties. He repeated that with this minimum stockpile, Poland would still expect to continue importing from Canada and other wheat-producing countries for many years to come. Eventually, of course, it was hoped that the proposed reorganization of Polish agriculture would enable Poland to meet the bulk of its own wheat requirements. At that time, imports from Canada and other exporters would naturally decline and the Ambassador thought we could have no objection to such a development. The mere existence of a modest national reserve would not, however, in itself result in a reduction of current imports.

3. More or less as an aside the Ambassador enquired whether Canada might now or in the future consider selling wheat to Poland on medium rather than short term credits. There seemed to be in this remark a slight hint that if we were to contemplate credits running for seven or ten years some part of the reserve as well as a portion of imports for current consumption might be taken from Canada.

4. We undertook to transmit the Ambassador's explanation and observations to the authorities concerned in Ottawa. Although in the meantime we could not comment on some of the points which he had made, we confirmed to him that we were troubled about the indications which we had received of a proposal for supplying a very large amount of wheat to Poland on special non commercial terms. We stressed that our objections to this possible transaction had nothing to do with our attitude towards Poland (which the Ambassador knew to be friendly and helpful as evidenced by our own negotiations), but reflected our anxieties about what was happening to wheat markets generally as a result of USA surplus disposal activities. We remarked that we thought he might find our worries understandable if he were to consider how Poland would regard actions of another government which disturbed the markets for some major Polish export, for example, coal. We expressed some doubt that even if the quantity of wheat now under discussion were to go entirely into a well-insulated stockpile (which might not in practice be feasible), the transaction on the extraordinary terms proposed would have no effect on current imports. Although the same quantities might continue to be imported, the prices and terms on which Poland would expect to procure such imports would almost inevitably be influenced by the fact that such large quantities had been made available under a very favourable longterm credit.

5. In connection with the Ambassador's reference to the possibility of medium term credits from Canada, we did not know for sure how this would be regarded. We thought, however, that in the recent negotiations the Canadian authorities had gone about as far as they felt it was prudent to go. Generally we were unwilling to sell wheat or other consumables on lengthy credits. We also questioned whether it was wise from the point of view of the importing country to finance such commodities by building up a heavy indebtedness for future years.

6. We assured the Ambassador that we would inform him of any reactions which we might receive from Ottawa in connection with the various points which he had made.

[A.D.P.] HEENEY

152. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 930 Washington, April 18, 1957

CONFIDENTIAL. OPIMMEDIATE.

FAREWELL CALL ON SECRETARY BENSON

I used the opportunity of my leavetaking call on Secretary Benson this morning to emphasize again our concern about the deterioration in the wheat marketing situation. Ritchie accompanied me on this call, and Butz, the Assistant Secretary of Agriculture, was present with Benson.

2. I referred to the other difficulties which had developed in USA-Canadian relations. I said that if, on top of everything else, there was to be a further deterioration, or a lack of improvement, in our relations on wheat, the repercussions would be very serious indeed. Without going into details, I reminded the Secretary that our concern related not only to the aggressiveness with which they were pressing their giveaway deals, but also to the reduction which they were apparently accepting in the price at which they were selling wheat commercially. I pointed out that a sharp fall in the wheat market could have direct and indirect economic effects in many parts of the world to the disadvantage not only of Canada and other friendly countries but also of the USA. I remarked that we in Canada felt that we had recently been the one stabilizing element in the wheat market but I was not sure how long we would feel we could afford to go on performing this function.

3. Secretary Benson was sympathetic as usual. He did not like the kinds of arrangements that they were having to resort to. If agricultural policy had been wiser right after the war, this situation might have been avoided. He hoped that the policies which he had introduced would remove the basic causes of the current difficulties before many years. It would take some time, however, especially as so much of the earlier legislation had escalator clauses. He could not, of course, always be certain of congressional support for his measures. Some senators and congressmen like PL480 and would be happy to make it a permanent fixture. He had, however, insisted that the extension of this legislation be for only one year, at which time Congress could review the position. Senator Hubert Humphrey was one of those who told the Secretary that he would have been happy to have gone much further.

4. Butz questioned whether our commercial exports to such a traditional market as the UK were being much affected. He maintained that the only noncommercial exports made to the UK were under barter deals and he observed that these deals were now being allowed to "taper off". He realized, however, that we were faced generally with a very difficult wheat marketing prospect and said he would not deny that some USA activities (especially barter arrangements) had adversely affected commercial exports of both Canada and the USA. He referred to the fact that the Secretary might be writing a letter to Mr. Howe about wheat marketing problems, and he wondered whether such a letter would be appreciated in present circumstances. I replied that if any such letter would have to be confined to expressions of sympathy, it would be better not to send it. If it could be more concrete, it might have value.

5. Butz then tried to divert the conversation to the difficulties being encountered in the negotiations with Poland but I discouraged this as I thought it unwise to get further involved in this matter until we receive more guidance from you. Butz indicated that he had just been talking to Kalijarvi, the Assistant Secretary of State, and that there was a move on foot to have himself and Dillon, the Deputy Under-Secretary of State for Economic Affairs, go to Ottawa for talks on what might be done about the Polish problem. Butz said to us afterwards that he would probably not be able to go as he would be absent from Washington, but Marvin McClain, another Assistant Secretary of Agriculture, might go if the visit takes place.

6. I would not say that the call on Secretary Benson was particularly productive, but I think it was useful to let him know again how we feel about this subject.

[A.D.P.] HEENEY

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153. DEA/24-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-632 Ottawa, April 23, 1957

CONFIDENTIAL. PRIORITY.

USA-POLAND AID NEGOTIATIONS — WHEAT

This will confirm the information given you by telephone concerning the results of the talks held at the U.S. Ambassador's house last Saturday evening (April 20). As you know Mr. Douglas Dillon along with Messrs John Leddy and Gordon Fraser had come up from Washington for these talks which were led on our side by Mr. C.D. Howe.

2. Mr. Howe indicated to Mr. Dillon that we would be prepared to discuss with the Poles the sort of assurance and its terms which we would expect from them and which might make acceptable to us the so-called stockpile of 500,000 tons of U.S. wheat. The Polish negotiators may therefore be in touch with you after they have been informed of this Canadian position by the Americans. You might let us know immediately they contact you so that a time can be arranged for our talks with the Poles, in Ottawa.

3. The U.S.A. side was rather insistent that Canada should take up part of the Polish stockpile needs. The total quantity under discussion between the Poles and the U.S. at the moment is 500,000 tons with the possibility being left open for the Poles to ask for an addition of up to 300,000 tons if this should prove necessary. On this question Mr. Howe explained that the Canadian Government had no means at the present time (and before the new Parliament meets) to undertake the supply of any part of the 500,000 tons or the additional 300,000 tons. He stated however that we would be prepared at the appropriate time to consider the possibility of supplying the latter amount or part of it if the Poles made a case for it. Consequently we would be prepared in our forthcoming discussions with the Poles to explore with them in a very preliminary way the possibility of supplying Canadian wheat to the stockpile.

4. As we have already informed you, Mr. Howe took the occasion offered by Mr. Dillon's visit to explain to him and his colleagues in quite strong terms the damage

which the U.S. surplus disposal activities had caused and were causing to Canadian export interests.

5. You may wish to make an appropriate occasion to tell Mr. Dillon that Mr. Howe and Canadian officials concerned very much appreciated his coming to Ottawa. We were all quite favourably impressed by his competence and sincerity.

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154. DEA/24-40

Le secrétaire d'État aux Affaires extérieures
à la Légation en Pologne

Secretary of State for External Affairs
to Legation in Poland

TELEGRAM E-719 Ottawa, May 9, 1957

CONFIDENTIAL. PRIORITY.
Reference: Your Tel 204 May 2.†
Repeat Washington; Rome (Mr. Sharp) (Priority) (Information).

U.S.-POLISH NEGOTIATIONS

Following approach by Polish Ambassador in Washington and expected imminent completion of U.S.-Polish negotiations, officials from Ottawa went to Washington May 2 for separate discussions with Polish delegation and with State Department. The Americans had informed the Poles of the importance they attached to Canada receiving satisfactory assurances regarding the continuation of normal commercial markets.

2. We told the Poles that in view of U.S.-Polish negotiations for one-half million tons of wheat on disposal terms Canada desired assurance that Poland would import a minimum of 300,000 tons during each crop year 1957-58 and 1958-59 which Canada would consider making available on same terms as recent purchase which averages two and one-half years credit (the existing agreement for 150,000 tons in 1957-58 would form part of the 300,000 tons minimum). (We do not contemplate offering additional quantities on more favourable terms — this decision refers to the point made in paragraph 3 of our E-645 of April 25).†

3. The Polish delegation were obviously well briefed and gave verbal assurances similar to those in your message namely that in the view of the Polish Government the acquisition of the stockpile from the U.S. "would not affect in any way" future imports for current consumption and that Canada would continue to rate as a "first class" source of such imports.

4. The discussion was stalemated since we considered it impossible to draw a practical distinction between imports for current consumption and for stockpile and since the Poles were not prepared to offer any more concrete assurances about our future commercial sales. It was however made clear that Canada is in no way critical of Polish efforts to get the best deal possible from U.S. but rather than Canadian criticism is directed towards U.S. surplus disposal methods which continue to undermine export marketings of Canada and other exporters. We stressed that Canada is sympathetic to the Polish objectives and believes that the terms upon which business had been concluded between us (and further sales we were proposing) was evidence of Canadian desire to meet Polish needs.

5. Incidentally the Polish delegation raised the matter of the art treasures and we assured them that we would continue to assist in finding a solution to this complex and difficult matter quite independently of their wheat purchases here.

6. Undoubtedly the Polish delegation have transmitted Canadian views to their government. The above should serve as background in the event that you are again approached.

7. For your own info the U.S. State Department are fully informed on the outcome of our discussions with the Poles. Our telegram E-718 to Washington refers.†

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155. DEA/24-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1103 Washington, May 10, 1957

CONFIDENTIAL. PRIORITY.
Reference: Your tel E-718 May 9.†

USA-POLISH AID NEGOTIATIONS: WHEAT

We have now spoken with Kalijarvi along the lines of your message. We indicated to him that he should regard our conversation as formally confirming that our earlier misgivings about the Polish transaction continued unabated.

2. We think you can take it for certain that the State Department now understands what our attitude is, even though they may not welcome it. We cannot, of course, say what effect if any this will have on their negotiations with the Poles. Presumably they will at least let the Polish negotiators know that we are by no means satisfied. If this happens, the willingness of the Poles to consider something additional for Canada may depend in some measure on their understanding of what exactly we want as a minimum. Even though several possibilities were mentioned during the meeting with the Poles here on May 2, it may well be that there is some confusion in Warsaw about what might now be needed to satisfy us. This seems highly probable since their "declaration" was apparently given to our chargé after the date of the meeting in Washington. They may therefore have some honest doubts about how much further they might have to go to meet our present desires or conditions. In any event, if no further comment is made directly to them concerning their declaration, they may be able to say later that they had assumed from our silence that we were contented (even though they might have had an intimation of our continuing attitude from the USA negotiators). You may wish to consider, therefore, whether in the circumstances it is sufficient to leave our chargé with the rather passive instructions contained in your telegram E-719 May 9 or whether it would be preferable to have him call on the Polish official from whom he had received the "declaration" and remind that official of the proposal made to their negotiators here along the lines of paragraph 2 in that message.

3. Since the above was dictated, Kalijarvi has phoned to enquire whether it would be helpful if they were to substitute rye for part of the proposed quantity of wheat. He did not know to what extent this might be practicable from the USA point of view or acceptable to the Poles. He nevertheless thought the possibility worth exploring. We replied that we could not comment authoritatively but our impression was that rye might avoid at least

some of the problems associated with wheat. If you have strong views one way or another on this possibility, you might let us know in order that we might inform Kalijarvi.

[A.E.] RITCHIE

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156. DEA/24-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], May 23, 1957

UNITED STATES-POLISH AID NEGOTIATIONS: WHEAT

It has become fairly clear that the United States arrangement for the provision on very long-term credit of 500,000 tons of wheat to Poland will go forward and that the Poles are unwilling to give us any specific assurances about future purchases. They have, however, given us an oral assurance that their normal requirements from us will be unaffected by this agreement.

2. We and the Department of Trade and Commerce, with Mr. Howe's concurrence, have come to the conclusion that further pressure on Poland for more specific assurances would be likely to prejudice not only our political, but also our long-run commercial relations with Poland. We have, therefore, sent to Warsaw the attached telegram† to ensure that there is no misunderstanding about what was the true nature of our concern, about the fact that our criticism was directed to United States policies, not Polish, and about the exact kind of assurances we had hoped for. We emphasized the fact that we sympathized with the Poles' economic difficulties and the problems they face.[101]

J. L[ÉGER]

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[101] Le 7 juin 1957, la Pologne a accepté d'acheter 400 000 tonnes métriques de blé américain. Voir United States, Department of State, *Bulletin*, Volume XXXVI, No. 939, June 24, 1957, pp. 1003 à 1009.
On June 7, 1957 Poland agreed to purchase 400,000 metric tons of American wheat. See United States, Department of State, *Bulletin*, Volume XXXVI, No. 939, June 24, 1957, pp. 1003-1009.

SECTION B

SITUATION FINANCIÈRE DES MAGAZINES CANADIENS
FINANCIAL POSITION OF CANADIAN MAGAZINES

157. W.E.H./Vol. 3

Note du sous-ministre adjoint du ministère des Finances pour le ministre des Finances

Memorandum from Assistant Deputy Minister of Finance to Minister of Finance

CONFIDENTIAL [Ottawa], February 27, 1956

CANADIAN MAGAZINES — POSSIBLE PROTECTION

I attach four copies of a memorandum on this subject for consideration in relation to the coming budget. You might want to show copies, not only to the Prime Minister, but also to Mr. Pickersgill, who has given a good deal of thought to this subject in the past, and to Mr. Pearson who will be interested in possible international repercussions.

As you know, while we started by considering this as a subject for tariff action we have swung towards possible action in the form of an excise tax. I have collaborated with Dr. Eaton in working out the proposals put forward here.

We await your further instructions.

A.F.W. P[LUMPTRE]

[PIÈCE JOINTE/ENCLOSURE]

Note du sous-ministre adjoint du ministère des Finances

Memorandum by Assistant Deputy Minister of Finance

CONFIDENTIAL [Ottawa], February 27, 1956

CANADIAN MAGAZINES — POSSIBLE ASSISTANCE[102]

For some years now the Canadian Periodical Press Association has been asking for help from the Government in the face of increasingly intense competition from the United States. Some assistance has been given; for instance, various Government departments have bought more advertising space in Canadian magazines. However, the position of these magazines has continued to deteriorate. It has now become seriously questionable whether Canadian magazines — both the so-called "consumer magazines" such as *MacLeans*, *Saturday Night*, *Chatelaine*, and *Liberty*, and even the so-called "business papers" which circulate amongst various trading and manufacturing groups in Canada — can continue to survive.

The fact that the publication of magazines, particularly consumer magazines, is no longer profitable in Canada, even under conditions of general economic expansion and prosperity, is attested by at least two types of evidence. On the one hand, certain confidential figures have been received indicating the financial position of some of the better known Canadian magazines. On the other hand, post-war experience speaks pretty clearly: *New World* ceased publication in 1947; *National Home Monthly* in 1950; *Liberty* reduced from weekly to monthly in 1947; *Saturday Night* reduced from weekly to semi-monthly in 1955; and there have been casualties amongst some small French-language publications as well.

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[102] Note marginale :/Marginal Note:

Much as I hate protection, I am rather sympathetic. J.W. P[ickersgill] 29.11.56

Meanwhile American magazines have extended their coverage of the Canadian market. The total circulation of Canadian "consumer magazines" has kept fairly constant since the war; but the circulation of U.S. "consumer magazines" in Canada has almost doubled. In 1948 approximately two-thirds of the "consumer magazines" sold in Canada were American and one-third were Canadian; by 1954-55 the American share was four-fifths.

The competition from U.S. magazines takes two forms, one old and the other new, and Canadian magazines have been asking for some sort of protection against both of them. The old form comprises the "overflow circulation" of American magazines into Canada: *Saturday Evening Post*, *Life*, *Ladies' Home Journal*, *Newsweek*, and so forth, not to mention many of the more lurid exhibits on our news-stands. The new form, which did not exist before the war, comprises the special editions of U.S. publications designed for the Canadian market; the best known are the Canadian editions of *Time* and *Reader's Digest*; in addition there are four women's magazines, circulated through chain stores, each of which puts out an edition carrying some Canadian reading matter and some Canadian advertising: *Better Living* and *Everywoman's* which began this practice in 1951, *Family Circle* in 1952, and *Parents Magazine* in 1954; and finally there are two business papers in this class, *Canadian Farm Chemicals* and *Cleaning and Laundry World*.

Overflow Circulation

Against overflow circulation the only form of protection that might reasonably be considered would be the imposition of a tariff. If this were to be done the most appropriate and defensible approach would be to resort to the rates already applicable against imports of advertising material, as follows:

		B.P.	M.F.N.
Item 178:	Advertising matter, etc.:		
	..............................per pound	5 cts.	10 cts
	but not less than	-	25 p.c.

These rates might be applied, in some rough approximation, to the advertising content of imported magazines. It could be claimed that the Government was not thereby going back on its traditional opposition in principle to any restriction on "the free movement of ideas"; but that the free influx of American advertising, carried in magazines, was having (as indeed it is) serious effects on the position of Canadian manufacturers in trying to stand up to competition of American products widely advertised in U.S. magazines.

However, for several reasons it is not recommended that this approach be adopted, at any rate at this stage. Whatever explanation is advanced, the fact would remain that a tariff on imports of magazines, not unlike that imposed in 1931 and removed as a matter of principle in 1935, was being reimposed in 1956. The re-establishment of free entry for magazines in 1935 was part, and an important part, of the Canada-U.S. Trade Agreement and has subsequently been bound under GATT. It will be noted that the tariff rates applicable to advertising, which are quoted above, include a substantial British preference; if these rates were to be applied to imported magazines, the blow to the U.S., which is very sensitive about preferences, would be all the harder to take and the "no-new-preference rule" in GATT would probably be breached. Difficult questions might arise as to how to deal with magazines published abroad in French. And, finally, the administration of such a tariff would probably be pretty difficult.

Special Editions

Serious and immediate consideration may be given, however, to the special editions of U.S. publications. The Canadian publishers have left the impression that they are more worried by this new, double-edged competition than by overflow circulation; these editions not merely displace Canadian magazines in the field of circulation, but also undermine their income by selling space to Canadian advertisers. This advertising space is frequently offered at rates substantially below those that the Canadian papers can offer. Complete figures for all the special editions mentioned above are not available, but the inroads on advertising revenues made by *Time* and *Reader's Digest* and disclosed by the accompanying table are sufficiently striking.

GROSS ADVERTISING REVENUE OF SELECTED MAGAZINES
(Source: Canadian Magazine Advertising Summary)

	All (1) Magazines	(2) *Time*	% of Total	*Reader's Digest*(3)	% of Total	% of Total *Reader's Digest* and *Time*
1948	$ 7,983,574	$ 757,030	9.5%	$ 687,552	8.6%	18.1%
1949	9,101,348	919,531	10.1	1,216,495	13.4	23.5
1950	10,209,097	1,176,687	11.5	1,557,612	15.3	26.8
1951	11,900,682	1,604,405	13.5	1,905,356	16.0	29.5
1952	12,944,437	2,004,988	15.5	2,477,247	19.1	34.6
1953	15,442,492	2,678,602	17.3	2,793,005	18.1	35.4
1954	16,098,898	2,896,236	18.0	2,848,290	17.7	35.7
1955	17,434,225	3,320,664	19.1	3,094,483	17.8	36.8

(1) Magazines included in "All Magazines" are *Canadian Home Journal*, *Canadian Homes & Gardens*, *Chatelaine*, *Maclean's*, *Mayfair*, *La Revue Moderne*, *La Revue Populaire*, *Le Samedi*, *Liberty*, *Reader's Digest* (Special Canadian editions in French and English), *Saturday Night*, and *Time* (Special Canadian edition).

(2) Special Canadian edition.

(3) Special Canadian editions in French and English.

It will be seen from the table that these two special editions (or three, if French and English editions of *Reader's Digest* are considered to be separate) now absorb well over one-third of the total advertising revenues obtained by this important group of magazines.

The publishers of special Canadian editions of U.S. magazines have peculiar advantages in the Canadian market — advantages not shared by Canadian magazines. Their circulation and advertising campaigns can be managed as part of the very large and expensive campaigns put on in their own country. They can in some cases print most of the Canadian edition as part of their home edition. Most important, while the Canadian magazines have to pay normal prices for their reading matter, illustrations, etc., the special editions can and do get the great bulk of their material as a by-product from their parent publications.

The most appropriate way of restraining this form of competition appears to be the imposition of a tax. Such a tax would have the following features:

(1) It would be levied on any publisher of a special Canadian edition, whether located in Canada (like *Reader's Digest*) or abroad (like the others mentioned above); hence it would be non-discriminatory in form and, in the judgment of Canadian officials, could be effectively defended in relation to GATT and other treaty obligations.

(ii) It probably should apply not only to Canadian editions in English, but also to French language translations (e.g. *Reader's Digest*) thus giving some relief to Canadians publishing magazines in that language.

(iii) It should be levied on gross advertising revenue, thus bearing directly on the point at which Canadian publishers feel the competition most keenly. If levied in that form (as opposed to so-many-cents-per-copy) there would be no direct incentive to raise prices to the consumer.

(iv) From the point of view of administration it would probably be practicable to follow sales tax procedure and require a publisher to pay tax before the end of one month on the value of advertising contained in magazines (of the type defined) sold in Canada in the previous month.

(v) As for the rate of tax, it should presumably be aimed at offsetting the peculiar advantages which the special editions have over the genuine Canadian magazines; it must be admitted, however, that computations of this sort are open to wide differences, and in the last analysis the rate of tax would be pretty arbitrary.

Of course, if this whole matter were judged on purely commercial or economic grounds, there would be no justification for a special tax. Other industries should not be encouraged to expect similar action if they get into difficulties owing to U.S. competition. The only justification would lie in the view that Canadian magazines of all sorts — consumer magazines and business papers alike — form a really important strand in the fabric of Canadian life, and that no government could allow a strand of this importance to be broken or worn away.

158. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], March 19, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr Pickersgill),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).

The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office, (Mr. Lamontagne).

THE BUDGET, 1956-57

1. *The Minister of Finance* reported on the budgetary measures he proposed to place before the House of Commons the next day, March 20th. Last year he had budgeted for a deficit of $160 million. This deficit was now expected to be only $52 million. Revenues for 1955-56 were 4 per cent greater than forecast and expenditures were up 2 per cent. The main items of increased expenditure were $20 million for wheat storage costs, $5 million for support of agricultural prices and $15 million for debt charges — a reflection of higher interest rates.

At current rates of taxation, there would be an expected surplus of $125 million in 1956-57. He was going to propose no tax reductions except certain exemptions from the sales tax for a number of building products. The total reduction would be $12 million, leaving a surplus of $113 million.

The recent decision of the Supreme Court in the Home Oil Case, which allowed an oil producer in tax years 1949 and 1950 to have the depletion allowance calculated on an individual well basis rather than on overall operations, required a change in the law and an amendment would be proposed, to date from 1951, when the regulations had been changed. If this were not done it was possible that the Crown would be liable for several millions of dollars in claims, and revenues in the future might be jeopardized.

In response to many recent comments on foreign ownership and control of Canadian companies, he was going to state that negotiations were underway to amend the tax treaty with the United States on the percentage ownership required for the lower rate of withholding tax on dividends.[103]

No tariff changes were proposed except some downward adjustments on agricultural machinery and equipment. These were consequent upon a tariff board ruling which had narrowed the scope of a number of items entering free of duty.

The only other proposal of interest, but one which would undoubtedly give rise to a great deal of comment, was the levying of a special excise tax of 20 per cent on the advertising revenue of special Canadian editions of foreign magazines like *Time* and *Readers Digest*. Canadian magazines could not compete with such editions and, unless something was done, most of them would gradually disappear. Even this 20 per cent tax would be only a holding operation and more help would probably have to be provided in a few years time. The magazine publishers affected by the tax would either stop their Canadian editions, absorb the tax or raise their prices. They would probably complain vociferously as would the advertising agencies. What the public reaction would be he was not sure.

2. *During the discussion* the following points emerged:

(a) Non-Canadian editions of foreign magazines would continue to enter Canada. Even this protective measure would not seriously alter the present situation in which four-fifths of the magazines read were not Canadian. The effect of this was that foreign brand names, mainly of U.S. origin, were constantly being put before the public. Anything which could be done to keep Canadian names to the front was desirable.

(b) It was also important, from the point of view of Canadian culture and the development of a national public opinion, to preserve Canadian magazines. Protection, even of the most blatant kind, could be justified on these grounds.

(c) It was suggested that the tax should apply only to new advertising contracts. It was pointed out, on the other hand, that this principle had never been recognized in past budgets. If a change were made of this kind, car dealers, for example, could point to a useful precedent to claim rebates at such time as taxes on cars were reduced.

(d) It was unfortunate that books from the U.S. were still subject to a tax whereas magazines entered duty-free. Anything that could be done to correct this situation would be desirable.

(e) The adverse trade balance was getting worse, but there did not appear to be anything that could, or needed to be done at this time to correct the situation. It was to be hoped that some purchases would be transferred from the U.S. to the U.K.

(f) With the revocation of the gold export regulations, it might be useful to mint some gold coins as one way of giving encouragement to the mines. It was argued, on the other hand, that this would be more bother than it was worth. The amount of gold involved was so small that it would have little impact on the gold problem.

3. *The Cabinet* approved the budget proposals of the Minister of Finance for 1956-57.[104]

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[103] Voir Canada, Chambre des Communes, *Débats*, volume III, pp. 2397 à 2412 et Canada, *Recueil des traités*, 1957, nº 22.
See Canada, House of Commons, *Debates*, Volumme III, pp. 2324-2336 and Canada, *Treaty Series*, 1957, No. 22.

[104] Pour obtenir le discours du budget, voir Canada, Chambre des Communes, *Débats*, 1956, volume III, pp. 2407 à 2408.
For the budget speech, see Canada, House of Commons, *Debates*, 1956, Volume III, pp. 2333-2334.

159. W.E.H./Vol. 3

Note du sous-ministre adjoint du ministère des Finances pour le ministre des Finances

Memorandum from Assistant Deputy Minister of Finance to Minister of Finance

CONFIDENTIAL [Ottawa], March 22, 1956

TAX ON SPECIAL EDITIONS OF U.S. MAGAZINES

It may be helpful if I keep you informed of developments in the field of the press and public relations relating to the new tax on special editions.

During the general briefing of the Press Gallery immediately before your Budget Speech there were a large number of questions on this subject. Most of them were pretty objective; only one or two showed a definite bias (e.g. Grant Dexter asked whether this was just another form of protectionism).

That evening, after leaving your reception, I dropped in on Tyler Thompson, the Minister of the U.S. Embassy, who lives near me, and spent an hour running over the ground with him. He fully sympathized with the Government's effort to do something to save the situation for Canadian magazines. He very much hoped that as far as possible all the emphasis of our speeches and publicity would be on the positive aspect of saving Canadian magazines; he feared the international implications if Canadians, and particularly Canadians in authority, suggested that the action had been taken because of an invasion by undesirable American products.

I did not hear CBC that night but understand that on their 10 o'clock news they summarized the proposal fairly and effectively. Their reference at 8 a.m. the following morning was also, I think, satisfactory.

As for the Canadian morning papers, the only two I have seen so far were the *Gazette* and the *Globe and Mail*. The news story in yesterday morning's *Gazette* was, I thought, fair enough but the news story in the *Globe* was so slanted that the reader might well form the impression that *Time* and *Reader's Digest* were no longer going to be available to the Canadian public.

I telephoned to Toronto and asked Mr. Perry to see if he could try to ensure that no editorials, either in the *Globe and Mail* or other papers, were based on this erroneous assumption. He said he had already been talking to the *Telegram* and would take the matter up with the *Globe and Mail*. I see that in this morning's *Globe and Mail* while they take a real swipe at your Budget Speech they do not mention the tax on magazines at all.

This morning's *Gazette* had, as you will have seen, a leading editorial on the subject. It is at pains to criticise the particular form of the tax, i.e. the fact that it is based on advertising, but avoids discussion of the basic issue. Maybe the Opposition will pick up this line and adopt it.

One of my spies in the Press Gallery tells me that the Leader of the CCF [M.J. Coldwell] personally favoured the action that had been taken but this was not necessarily the party line.

The most serious newspaper development was, strangely enough, in that usually reputable organ, the *New York Times*. I attach a copy of the article which ran in yesterday morning's late city edition. It did not run in the earlier edition, which is the one which normally goes on sale in Canada. I have told Daniell over the telephone that I have found his article very disturbing and have asked him to come in and talk to me about it. He says he will be glad to do so and that he is planning another "and a more thoughtful" article for the Sunday edition. I have no doubt I can get him to publish something better in that edition but of course one can never erase a smear that has already been published.

Probably the best support so far has come from Michael Barkway speaking on News Roundup over the CBC last night.

A.F.W. P[LUMPTRE]

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160. W.E.H./Vol. 3

Note du sous-ministre adjoint du ministère des Finances pour le ministre des Finances

Memorandum from Assistant Deputy Minister of Finance to Minister of Finance

[Ottawa], March 28, 1956

TAX ON SPECIAL EDITIONS OF NON-CANADIAN MAGAZINES

This morning I telephoned to Mr. Heeney our Ambassador in Washington. I had been told that the statement was made on the radio this morning that this special tax had been amongst the questions discussed between the Prime Minister and the President during the past few days[105] and I wanted to find out whether this was true and if so what had happened. I reached Heeney only a couple of hours after he got back from Washington and Mr. Pearson was in his office while I was speaking to him.

Heeney reported that the President had raised this subject with Mr. St. Laurent. It appeared that Time-Life-Fortune had already been putting great pressure on the State Department and had also reached the White House.

The Prime Minister gave an explanation along the lines that had been agreed in Cabinet beforehand. (Mr. Heeney did not say exactly what was said.) The President replied that he had not formerly heard this side of the question. Mr. Heeney said that the President did not commit himself to accept, but did not argue against, the explanation.

On a couple of other occasions Mr. Dulles had raised the question with Mr. Pearson who had given an explanation along the same lines.

When meeting representatives of Canadian Papers in Washington both the Prime Minister and Mr. Pearson gave them a list of subjects that had been discussed at the meeting with the President and included this special tax on the list but there was no discussion or elaboration of any of these items during the Press Conference.

Mr. Dulles also referred to the item in his Press Conference but did not discuss it nor did he indicate who had raised the matter for discussion.

A.F.W. PLUMPTRE

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[105] Il n'a pas été possible de trouver un compte rendu des discussions à ce sujet, qui se seraient déroulées à White Sulphur Springs.
No record was found of a discussion of this subject at White Sulphur Springs.

161. DEA/3300-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 629 Washington, April 2, 1956

CONFIDENTIAL. IMPORTANT.

US REPRESENTATIONS CONCERNING THE SPECIAL 20 PERCENT EXCISE TAX ON ADVERTISING REVENUES OF SPECIAL CANADIAN EDITIONS OF FOREIGN MAGAZINES

At noon on March 29 we were invited to go at 5 pm that day to the office of Herbert Prochnow, Deputy Under-Secretary for Economic Affairs at the State Department, who we were told wanted to speak to me about this tax. On receiving the invitation we expressed some surprise on the grounds that the question had already been discussed only a few days before by the Prime Minister and the President and by yourself and the Secretary of State. My calendar was quite full and we suggested to the State Department that it might be satisfactory to them if I called on Prochnow on Saturday, March 31, or preferably after the Easter weekend. The State Department called back to say that they would prefer to see someone from the Embassy at five o'clock as they had originally proposed. I agreed, and accordingly Couillard waited on Prochnow at that time. Prochnow was accompanied by three officers of his bureau, two from the Office of International Trade and Resources and one from the Canadian Desk.

2. Prochnow, talking from a lengthy brief, launched upon what proved to be an unyielding line of comment which occupied about 25 minutes, delayed but not broken by the several retorts which Couillard felt compelled to interpose in the course of it. He was to reveal also, as you will see, an unfortunate heavy-handedness which made the fifty minute interview rather an exasperating one. We feel, however, that much of Prochnow's ineptitude can be explained by his lack of knowledge of Canadian-US trade relations and his inexperience in international negotiation. Added to this is the fact that he appeared to feel duty bound to deliver his piece and not to admit the relevance of broader considerations outside the field of commercial policy.

3. Prochnow opened by referring to the "casual conversation" which had taken place on the new tax at White Sulphur Springs. He apologized for his last minute invitation, and explained that the State Department had been anxious to let us have their views in greater detail with the least delay. He said that they had at first thought of expressing their concern in a formal note but that, after further consideration, they had come to the conclusion that such an approach would be at variance with the friendly and informal manner in which our two countries conducted their relations. He expanded at quite some length on the unique and amicable nature of these relations; and referred to the "big deals" involving Canada in which he had participated as a banker in Chicago.

4. Coming finally to his main purpose, Prochnow said that the tax would hit particularly important and sensitive elements among US publishers. In spite of his attempt to use guarded language, it was quite apparent that pressures put on the White House by these interests had been strong, immediate and direct. This, no doubt explained the nature of some of the comments which were to follow. In any case, the spirit of Henry Luce unmis-

takably permeated the six or seven page memorandum which Prochnow was to recite. (We understand that the White House had instructed the State Department, before the White Sulphur Springs meeting, to express to Canadian representatives the serious concern of the US Government).

5. Prochnow said that they had been "surprised" at the Canadian Government's decision to impose the tax — the most unexpected source "for such a high tax" — in view of the example which Canada had always set in the field of commercial policy. He went on to make the point that no consultations had taken place before the tax was "announced so suddenly". When we spoke of the secrecy which traditionally attaches to the budget speech, he suggested that, nevertheless, the tax might have been the subject of consultations without any indication necessarily being given that it might be connected with the budget speech. Prochnow remained glued to his lengthy brief when we explained that the tax was an excise tax, therefore an internal, domestic tax which did not affect the free entry of foreign periodicals; it would be levied on any publisher of a special "Canadian" edition, whether located in Canada or abroad.

6. Prochnow went into some detail on every principle of commercial policy which in the US view the tax would offend. He said he recognized that no doubt the Canadian Government, like other governments, was subject to pressures by domestic groups seeking to protect their own business interests. He spoke at some length of the pressures which were constantly exerted on the US Government. He singled out the "beer case" with which he said he had personally been associated.[106] He referred to the hearing which had been given the offices of the Canadian Exporters Association. He explained that the administration had exposed itself to criticism, which had not failed to materialize, in the case of the Maryland Bill which, had it not been vetoed, would have prevented the establishment of a Canadian brewery there. He said that this had not been easy, particularly when the US brewers were not permitted to establish a market for their products in Canada. He said that the US Government had resisted in the Maryland case and would continue to resist all protectionist pressures because of the "principles" involved. He was surprised and sorry he said, that the Canadian Government had failed similarly to resist the protectionist pressure which he implied was behind the government's decision to impose the special tax. He insisted that the new tax was clearly discriminatory against the US, in that it was aimed directly at the interests of US publishers who should not be "penalized" for their success in the Canadian market.

7. Needless to say, we felt compelled to break into his statement again to counter his comments and their implications. Prochnow was obviously determined, however, to conclude his delivery of the views contained in the memorandum before him. His unfamiliarity with the background of Canadian-US trade relations was such that we had the impression that our comments and counter-arguments had little if any effect.

8. The recital went on and Prochnow claimed that statistical information which had been made available to the State Department showed that the position of Canadian magazines had not deteriorated but that on the contrary it had improved. He brushed aside the list of casualties in Canadian periodicals, saying that it was inherent in the publishing business that the casualty and birth rates should be fairly high.

9. Another "serious worry" which Prochnow expressed was lest the "Canadian example" be followed by certain Latin American countries, where the US continued to make strenuous efforts to prevent a number of governments from imposing restrictive measures against

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[106] Voir/See Documents 219-223.

US magazines — he instanced the *Reader's Digest*. He departed long enough from commercial policy considerations to state that the State Department felt it important that there should be as full as possible a dissemination of US views and policies in those countries. (We were waiting for him to include Canada in "those countries", but he did not).

10. The tenor of Prochnow's comments had become obvious to us early on, and we did not refrain from interrupting his recital whenever we could not agree. When Prochnow had concluded his set piece, we reminded him that the Canadian Government had already been informed at the very highest level of the US Government's views about the tax: furthermore we observed that President Eisenhower, in conversation with the PM, had recognized that there were "two sides to the question". Most if not all of the commercial policy arguments he had used against the tax were fully familiar to us; indeed taken directly from the Canadian book. Prochnow seemed to be quite oblivious of the fact that the arguments and considerations he was rather smugly invoking were those which on so many occasions were invoked against the US itself. The commercial policy officers he had with him, such as Isaiah Frank, did not of course go onto this shaky ground, which their new boss was treading so confidently. They limited their interventions to an attempt to establish that the Canadian magazines did not need the "protection" to be accorded them. They pointed to the danger of invoking the percentage-of-domestic-market argument ("four-fifth") and they stressed the increased difficulties which the US publishers would probably have to face in Latin American markets.

11. We emphasized the motive behind the Canadian Government's decision which we said was much more fundamental than the commercial consideration on which Prochnow based his complaint: what was involved to put it briefly was the survival of a reasonable minimum of Canadian periodicals. (We must have told Prochnow this at least a dozen times). What was involved was not the protection of an industry but rather the maintenance of an institution — our national periodical literature. We stressed the role and importance of Canadian magazines as an "important strand in the fabric of Canadian life." The decision announced by the Canadian Government was that "It could not allow this strand to be broken or worn away." The Canadian record in the field of commercial policy was such, in spite of serious failings in the policies and actions of other countries, that it should be self-evident that the action taken to attempt to preserve a Canadian institution was not the sort of action which would be contemplated with respect to a purely commercial product. When the meeting came to an end, Prochnow, despite our efforts, was still insisting on the commercial policy aspects and implications of the tax.

12. At Prochnow's request we agreed to pass on to you the "views and concern" which he had expressed. We made one exception with which we deal in the following paragraph.

13. Prochnow at the end of his original presentation had said that the State Department had given serious thought to the sort of reason which the Canadian Government might give, should it decide to reverse itself and not impose the tax. He said that it seemed to them that a satisfactory explanation would be that the Canadian Government had taken another look at the "international implications" involved. He said he realized that the Canadian Government would, however, have to forego the budgetary revenue which the tax would have afforded. In response to this sally we told Prochnow that we could not imagine that he would wish us to report this suggestion to Ottawa. We had the impression, however, our retort went over his head.

14. Prochnow did not specifically ask for an answer to his "expression of concern" on the part of the US Government. Nor did we say that one would be forthcoming. We had said, at the beginning of our answer to his recital, that as far as we knew the PM and yourself

had stated to the President and the Secretary the reasons for the tax; what we had said about the tax on this occasion represented the views of the Canadian Government. We added that any possibility there was that the government might modify their decision (and we knew of none) would not likely be increased by further pressures from the US. Prochnow said he recognized this last point and that "they" had not made any public statement about the matter.

15. The ineptitude and heavy-handedness of Prochnow makes it difficult to judge the degree to which the US Government's complaint is based on infringements of commercial policy principles, including non-discrimination, and to what extent motivated by their sensitiveness to the powerful US interests affected. Certainly the latter element must account for the promptness and strength of their reaction. Had it not been for Prochnow's lack of experience in such matters it would have been difficult for us to show the degree of restraint which we hope we managed to retain. In any event, it would obviously have been futile to engage in an acrimonious argument (and a battle of statistics — we are of course deficient in this matter) which many of Prochnow's comments would have amply justified. We could not, however, and we did not let his worst comments go unchallenged. Still, Prochnow was probably quite sincere when he said that he was speaking in all friendliness. But he remained quite impervious to the points which we made in reply. In particular, he was obviously quite determined not to see, or could not see, the broader considerations, national in scope, which we emphasized at every opportunity and which prefaced most of our retorts.

16. As for the substance of the representations, I should think that on balance and in spite of the ineptitude which unfortunately characterized part of their delivery it would be advisable for us to make some answer. The [issue is obviously] considered "serious" by the administration and in the eyes of US officials it represents straight "protection" in terms of commercial policy.

17. We would like to have your full instructions soon as it is not at all inconceivable that we may be approached again before very long.

[A.D.P.] HEENEY

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162. DEA/3300-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

RESTRICTED [Ottawa], April 10, 1956

PROPOSED TAX ON ADVERTISING IN SPECIAL CANADIAN EDITIONS OF FOREIGN MAGAZINES

Just before the interview on Friday with the representatives of the *Reader's Digest*, you mentioned that you had been somewhat surprised to hear that these special editions were apparently not offering advertising space at cut rates and were therefore not open to the charge of "dumping" advertising in unfair competition with Canadian periodicals. The *Reader's Digest*'s spokesmen made this point themselves in the interview and in the memorandum† which they left behind. In the latter they point out that each line of advertising costs $16.07 in the *Reader's Digest*, compared with $4.34 in *Maclean's*, $3.71 in the *Canadian Home Journal*, $1.30 in *Saturday Night*, etc.

2. It is probably true that on the basis of lines or space the charges made for advertising in *Reader's Digest*, *Time* and the other special editions are at least as high as those of Canadian magazines. It was not, however, a part of the argument for the new tax that the special editions were indulging in "dumping" in this sense. What has been alleged is that these special editions, because of their ability to offer an exceptionally attractive periodical (the main costs of which have been spread over the massive circulation of the U.S. edition and the various international editions), are able to provide so much more advertising value per line that their rates are, in effect, much better bargains than those of the smaller Canadian publications. The truth of this allegation is brought out quite clearly on page 43 of the attached *Canadian Marketing and Advertising Fact Book* issued by the Reader's Digest Association of Canada. The table presented there attempts to show what the advertiser gets for his money in terms of the audience reached. In this context the "audience" means the number of people who actually read the magazine in question and therefore is considerably larger than the mere circulation. Apparently the authors have ascertained that two people read each copy of *Maclean's*, for instance, whereas at least three people read the *Reader's Digest* because of the broader appeal of its more attractive (and more expensive) editorial content. On this basis the table shows that similar effects are secured, in the case of black and white pages, by $1.04 spent on advertising in the *Reader's Digest* and $1.17 on advertising in the special edition of *Time* as would have been achieved by spending $1.66 on *Maclean's*, $1.70 on *Weekend*, $1.79 on *Canadian Homes and Gardens*, $1.93 on *Liberty*, $2.50 on *Chatelaine*, $2.69 on the *Canadian Home Journal* and $3.33 on *La Revue Moderne*, etc. Even more striking contrasts are found for advertising on two-colour and four-colour pages.

3. It would seem from this evidence presented by *Reader's Digest* itself that the uncompetitiveness of Canadian publications in respect of advertising is fairly well established; at least that is what the *Reader's Digest* was attempting to tell potential advertisers when this "Fact Book" was compiled in 1955.

4. Apart from the inability of Canadian publishers to provide at similar costs anything like as attractive as advertising medium as the special editions can supply, it might also be mentioned that national publishers do not have the kinds of resources which the special editions can command to attract potential advertisers by issuing costly "fact books" of this character, providing lavish entertainment and doing the other expensive things which are apparently the stock-in-trade of the publishers of the special editions.

5. Incidentally, it was suggested during the interview in your office that many publishers would no doubt go on placing their advertisements in the special editions even after the new tax comes into force. The implication was that the tax would be ineffective in diverting advertising to the support of truly Canadian periodicals. If that is the case it is a little hard to see why the special editions have not themselves raised their advertising rates by the 20% envisaged in this tax measure. Presumably they have calculated that what they had to offer was not that much more attractive than what the Canadian publications could provide. Since the special editions had not thought it safe to raise their rates previously by such a percentage it would seem a reasonable presumption that they will lose a good deal of business (presumably to Canadian magazines) when the new tax is applied.

6. Since the attached "Fact Book" has been loaned to the Department of Finance only until tonight it would be appreciated if you could glance at the table referred to and let us have it back this evening for return to Finance.

A.E. RITCHIE
for Under-Secretary of State
for External Affairs

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163. DEA/3300-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1276 Washington, July 9, 1956

CONFIDENTIAL. IMPORTANT.

SPECIAL 20 PERCENT EXCISE TAX ON ADVERTISING REVENUES OF SPECIAL CANADIAN EDITIONS OF FOREIGN MAGAZINES

We received through the mail this morning from the Acting Secretary of State, and initialled by him, a note on this subject dated July 7.

2. We had not previously heard that a note would be delivered. Indeed we had gathered the rather firm impression from State Department officials concerned, who continue to take every opportunity to refer to the proposed tax, that the administration was not considering making written representations in addition to the views and comments which it had already made known.

3. When speaking to Parsons on another matter this morning, he threw some light on the timing of the note, namely that they had heard, presumably through their Embassy in Ottawa, that the Canadian Cabinet was scheduled to consider the question of the tax this week.

4. Following is the text of the note:

"The Acting Secretary of State presents his compliments to the Chargé d'Affaires ad interim of Canada and desires to refer to the concern of the USA Government over the proposal which is under consideration by the Canadian Government to impose a twenty percent tax on the advertising revenues of special Canadian editions of non-Canadian magazines which are circulated in Canada.

The interest which the USA Government attaches to this matter has already been brought to the attention of the Canadian Government in conversations between officials on a number of occasions, the most noteworthy of which was the meeting between President Eisenhower and Prime Minister St. Laurent at White Sulphur Springs last March.

The USA Government recognizes the objectives of the Canadian Government with respect to the Canadian magazine publishing industry. It has carefully noted the remarks of the Minister of Finance in his budget speech on this subject. However, the USA Government continues to believe that the measure would have a discriminatory effect in practice and be injurious to established USA business interests.

Irrespective of the purpose of this measure, and however it may be described, its implementation would be a significant reversal of the trend toward development of commercial relations which both Canada and the USA have so persistently been trying to encourage. The Canadian Government will certainly agree that whenever one country adopts a measure of this kind, especially one that is highly publicized, it is apt to produce, or strengthen, a similar sentiment in the country. The USA Government believes that the strengthening of such sentiment is to the advantage of neither Canada nor the USA. Such pressures have successfully been resisted in the past by the two governments in the broader interests of both countries.

The USA is also convinced that this tax, if adopted, would set an undesirable precedent for other countries which could create difficulties for USA periodicals and possibly require them to cease publication in certain areas where their contribution to the cause of the free world is in the interests of Canada as well as the USA.

In conclusion, it is the belief of the USA Government that this proposed tax contains possibilities for misunderstanding between our two countries which might well be detrimental to the broader interests of both. The USA Government desires to reiterate the hope, therefore, that the Canadian Government will decide not to proceed with its enactment into law.

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164. DEA/3300-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

SECRET [Ottawa], July 12, 1956

MAGAZINE TAX

I am attaching a copy of telegram 1276 of July 9 from Washington in which there is quoted the text of a note from the State Department setting out formally the objections of the United States Government about the proposed magazine tax. I understand that members of the Government are now considering whether the proposal for this tax is to be maintained. As you are no doubt aware Mr. Harris has recently been entertaining the thought that it might be desirable to withdraw the proposal from consideration at this session of Parliament. In this connection I am attaching a copy of a memorandum to Mr. Harris from Mr. Plumptre which has been given to this Department on an informal and confidential basis.

I draw your attention, in particular, to the final paragraphs of this memorandum in which Mr. Plumptre reminds the Minister of Finance of the difficulties that would be involved should a decision be taken to withdraw the magazine tax in order to create a bargaining instrument with the United States in the commercial field. I am sure that I do not need to emphasize that from the point of view of this Department any such course would have very serious implications. In preliminary discussions which we have had with United States officials and in discussions which have taken place between members of the Government and representatives of the interested United States publications, the proposed tax has always been defended on strictly non-commercial grounds and, as Mr. Plumptre points out, a great deal has been made out of the fact that the intention behind our policy is to preserve "a basic and essential thread in the fabric of our national life".

A formal reply to the United States note will be drafted for your consideration when we are informed whether or not the Government proposes to go ahead with this tax. Since it is possible that Mr. Harris may raise this issue at this morning's Cabinet meeting I thought it might be helpful for you to know that the thinking of officials in this Department is in agreement with the views of officials in the Department of Finance as expressed in the attached memorandum to Mr. Harris. In view of the manner in which Mr. Plumptre's memorandum has been made available to us you may not wish to make direct reference to it in discussions with Mr. Harris or in Cabinet.[107]

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note du sous-ministre adjoint du ministère des Finances pour le ministre des Finances

Memorandum from Assistant Deputy Minister of Finance to Minister of Finance

SECRET [Ottawa], July 11, 1956

MAGAZINE TAX

I attach a copy of a telegram from Washington (No. 1276 of July 9) which contains the text of the formal note on this subject which has been received by our Embassy in Washington. You will see from the introductory remarks that it was initialled by the senior officer of State Department (in the absence of Mr. Dulles himself), also that it was received by mail, i.e. by messenger, and that there was no discussion regarding it.

If, in view of developments in Parliament in recent weeks, the Government did decide to withdraw this proposal at this Session, it would be most helpful if I could know a bit in advance exactly what the tactics will be. These tactics will have to be taken into account in whatever we write and say to the Americans.

I hope you will not think it too presumptuous if I make some suggestions about tactics that you may want to keep in mind. When you first mentioned the possibility of withdrawal you suggested that this withdrawal would be based upon the fact that the Session had already dragged out unduly and that this particular issue showed signs of being quite contentious and therefore leading to further delay. In this regard it might perhaps be added that the problems confronting Canadian magazines had been developing and had been under study for a number of years and that it was more desirable to achieve a good and lasting solution and one that was widely acceptable rather than a quick solution.

If these were the grounds for withdrawal it would mean that the Canadian magazines would not feel that they had been thrown to the wolves; that the Government was still taking a serious interest in their problems and would attempt to reach some solution. Indeed after further consideration the Government might decide at some later stage to move forward with the proposal now before Parliament or something pretty close to it. There may be some advantage from the Government's point of view in not throwing the magazines over at any rate at this stage.

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[107] Note marginale :/Marginal Note:

This did not come up at Cabinet yesterday. L.B. P[earson] July 13, 1956.

Those of us in the Department who have worked on this problem pretty intensively over quite a long period would feel that there are really three choices and only three:

(a) allowing nature to take its course, which means that a good many of the remaining Canadian magazines of general interest will succumb over the next five or ten years;

(b) a tariff on magazines; and

(c) the tax on special editions in some form pretty closely resembling that which is before Parliament.

Whether we are right or wrong and whether or not we could devise some new and less contentious formula, the Government may well wish to leave its hands completely free for the future, including the possibility of coming back to the present proposal or something like it.

If the Government did follow this line of tactics, it follows that we should be fairly firm in our reply to the United States. They might be told in writing or orally at about the same time that you were making your statement in the House that, for this Session, the Government was not proceeding with the magazine tax. However, they could and should be given no assurance that the Government would not in due course proceed with it or with some other form of support for Canadian magazines which they might still find pretty unpleasant. Emphasis would, of course, be laid heavily on the fact that this was in no sense a measure of commercial protection in Canada but was designed to preserve a basic organ of public expression and opinion.

If this line were adopted it would, I think, exclude a different line which you suggested on the spur of the moment when I was in your office yesterday, i.e. that in withdrawing the tax we should attempt to get some quid pro quo from the United States in the commercial field. I have had a preliminary talk about this with one or two people in Trade and Commerce and other Departments and their feeling is (quite apart from the tactical arguments produced above) that the United States Government just before an election is in no position to give us any useful commercial commitments — and even if it were willing to give them it is doubtful whether we could rely on their execution. Moreover, if we on our side reached some sort of a bargain at this stage it would tie the hands of the Government in attempting to deal with the problem at some later stage.

Further, I do not think that we can bargain with the United States in relation to the withdrawal of the magazine tax without this fact becoming known to certain powerful U.S. interests (*Reader's Digest* and *Time*). It might then be made to appear that the Canadian Government had been bought or bullied out of pursuing a policy which it had announced as being designed to preserve "a basic and essential thread in the fabric of our national life".

Louis Couillard, who in the absence of our Ambassador is in charge of these matters at our Embassy in Washington, is coming into town later today and I hope to bring him to see you before his departure after lunch tomorrow (Thursday). It would be most helpful to both of us if we could have your further ideas about tactics at this time, even though the basic decision whether or not to withdraw the proposal had not yet been made.

A.F.W. PLUMPTRE

165. DEA/3300-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-1160 Ottawa, July 26, 1956

CONFIDENTIAL
Reference: Your telegram 1276 of July 9.

MAGAZINE TAX

We have prepared the following note as a reply to the United States note of July 9 on the proposed magazine tax. We are sending you the text now for your information only. You should not present this note until we send you further instructions.

2. Text (after usual introduction and appropriate references) is as follows:

"What appear to be the main points in the note of the Acting-Secretary of State and in the comments made earlier by Mr. Prochnow to Mr. Couillard have been singled out and the views of the Canadian Government on these points are set out as follows:

This tax will hit important and sensitive elements among United States publishers

3. It is the nature of the situation that this should be the case. Canada obviously cannot achieve the object of preserving a nucleus of national magazines in Canada, however, without affecting unfavourably the position of the publishers of the by-product editions. Further, the special editions represent only a small part of the total operation of the United States publishers concerned; even if they decided to abandon their special editions their total profits would be little changed.

It is unlike Canada to impose such a tax suddenly, without prior consultation

Although the Canadian Government is aware that some United States interests are adversely affected by this measure, it is nevertheless a domestic excise tax about which Canada has no obligations to consult such as do exist in the field of bound tariffs. Further, it is traditional Canadian constitutional practice that all budgetary measures such as excise taxes are announced in this manner. Any departure from this long established practice would be most extraordinary and would be difficult to justify to parliament.

This tax offends against principles of commercial policy espoused by Canada and the United States, in contrast with the kind of action the State Department took with regard to the Maryland beer legislation

5. This is not a question of commercial policy. No tariff or other barrier to the free entry of United States magazines is involved. The proposed tax should be understood as an attempt to prevent the disappearance of the limited number of magazines of general interest that are still published in Canada. The reason for attempting this is that the Canadian Government believes that Canadian magazines serve useful purposes, not least in helping to formulate throughout Canada considered and critical opinions on public affairs. It would be unlikely that by-products of magazines from other countries would fill this role.

6. It is not considered that the Maryland beer question has any relevance to this problem. What might be compared with the action the State Department took with respect to Mary-

land is Canadian treatment of United States investment in Canada; it is unlikely that the United States has any reason to be dissatisfied with this treatment.

7. It has been recognized for many years and in many countries that media of information, entertainment and culture cannot always be treated in strictly commercial terms. The Canadian Broadcasting Corporation, for example, probably owes its existence to the acceptance of this principle. The same principle seems to be implicit in the provision of the United States Federal Communications Act of 1934 which prohibits the issuance of a broadcasting license to any corporation that is more than 25% foreign owned.

This proposal discriminates against the United States

8. The tax will apply to special editions whenever they are produced, and no matter what the nationality of the parent magazine. It is true that most of the special editions sold in Canada are by-products of United States magazines, and it is inevitable therefore that most of the magazines subject to this excise tax will be of United States parentage, but the tax will certainly not discriminate on national grounds.

Statistical information shows that the position of Canadian magazines has improved, not deteriorated, and there is therefore no need for this measure

9. When examining the statistical evidence it is important to remember that while the Canadian Government is, of course, concerned about the vitality of all Canadian publications, it is particularly concerned about the continued existence of Canadian magazines of general interest and national circulation. There are only about a dozen magazines of general interest in Canada, including two "special editions". They are:

Canadian Home Journal
Canadian Homes & Gardens
Chatelaine
Maclean's
Mayfair
La Revue Moderne
La Revue Populaire
Le Samedi
Liberty
Reader's Digest (Special Editions in French & English)
Saturday Night
Time (Special Edition)

10. In 1948 the advertising revenues of these twelve magazines amounted to $7,983,574, of which the two "special editions" accounted for 18.1%. In 1955 the advertising revenues of the group had risen to $17,434,225. Of this total the two "special editions" took 36.8%, their share of the total having risen steadily each year. It is true that the total advertising revenues and the circulation of the ten Canadian magazines in this group have increased over this period, but costs have increased even more. Of course, some of the Canadian publishers have been making reasonable profits in recent years, but these are due to their activities other than publishing the national general interest magazines. For example, they publish specialized trade journals and they do job-printing. The important fact is that the publication of the national magazines of general interest is unprofitable. Those published in English in 1955 taken together made no profit at all, but a loss amounting to about 2.4% of their total revenues. The position of those published in French is similar.

There is a serious danger that this example will be copied by other countries

11. It is not for the Canadian Government to judge whether the publication of special editions of United States magazines in other countries is desirable or undesirable. However, the Canadian Government was aware of this issue before it considered the proposed tax. Accordingly, the Minister of Finance went to some length to explain the unique situation that prevails in Canada. The Latin American countries, about which Mr. Prochnow was worried, do not share with the United States either a common language or (except for

Mexico) a common long and very open border nor do the regular editions of American magazines represent four-fifths of circulation in those countries, as they do in Canada. These facts would seem to place them in a much different position from that of Canada. The Canadian Government could hardly be expected to weigh this factor heavily as compared with the question of whether or not Canadian national magazines were to survive.

12. In view of these various considerations the Canadian Government hopes that the Government of the United States will understand and appreciate the action which the Canadian Government proposes."

[L.B.] PEARSON

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166. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], August 2, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

EXCISE TAX; CANADIAN EDITIONS OF FOREIGN MAGAZINES (PREVIOUS REFERENCE MARCH 19)

26. *The Minister of Finance* said that a final decision had now to be reached as to whether or not the excise tax on Canadian editions of foreign magazines, announced in the budget speech, should be recommended to Parliament at this session. Most daily newspapers were opposing the tax because they were afraid it might be extended in the future to syndicate columns and because they might get less advertising. On the other hand, weeklies and Canadian magazines were asking for more protection, although not necessarily supporting the particular form of protection given by the excise tax.

The arguments used to oppose the tax had been that it resulted in discrimination against a few U.S. magazines, that it was an attempt to restrict the freedom of the press and that it would be ineffective as a measure to protect Canadian magazines. According to certain reports, advertising companies intended, if the tax were levied, to cut that part of their budget devoted to Canadian magazines in order to maintain their advertising programme in Canadian editions of U.S. magazines. The Conservatives would oppose the tax and support tariff protection against all U.S. magazines.

The arguments in favour were that the tax was merely a protection against dumping, that it could be effective in discouraging other U.S. magazines to publish Canadian editions and that it was the only practical suggestion that had been made to help Canadian magazines. In spite of the opposition of the Conservatives, there would be no real difficulty in getting Parliament to approve the special tax.

27. *During the discussion*, the following points emerged:

(a) Many people opposed this tax on publications as a matter of principle. It could be interpreted as a departure from the traditional free-trade policy which could not be reconciled with discrimination in favour of a particular industry. If the tax were imposed, it might be used by the U.S. as a pretext to resort to further discriminatory practices against Canadian imports.

(b) The tax had an important significance in maintaining organs of opinion in Canada. If nothing were done in this field, it would be difficult for Canadian magazines, expressing Canadian opinion on Canadian affairs to survive. However, if the objective were protection of Canadian magazines against U.S. influence, then the proposed tax would not achieve that purpose and it would be necessary to take some drastic action against all U.S. magazines.

(c) It was impossible under G.A.T.T. to take general tariff action. In any case, a tariff on imported magazines in general was inconsistent with traditional Liberal policy. On the other hand, Canadian magazines needed protection because all except one had lost money during the last year and their share of the advertising dollar had decreased recently. While it could be argued that the proposed tax would have no great practical effect on the present situation, it would be a deterrent for other U.S. magazines planning to publish Canadian editions.

(d) If the tax were withdrawn at this time, it would be quite impossible to re-introduce it in its present form at another session and no practical alternative had been suggested.

(e) It was most undesirable for the government to withdraw a budget measure of this kind because of the type of criticism this one had provoked.

28. *The Cabinet* noted the report of the Minister of Finance on the advisability of asking Parliament at this session to approve an excise tax on Canadian editions of foreign magazines and deferred decision until a subsequent meeting.

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167. DEA/3300-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1418 Washington, August 2, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Your Tel E-1160 Jul 26/56.

MAGAZINE TAX

I was glad to receive in advance the text of the proposed reply to the State Department's note of July 9. You have not asked for my comments but in view of the very special treatment accorded this subject by the Administration and the political significance given it here, I venture a number of suggestions.

2. As the Canadian reply now stands it is a firmly worded answer to the USA note of July 9 and to the oral statements made by Prochnow to Couillard on March 29, as well. I agree that Prochnow's assertions must be answered. But I do not think that the best course is to answer them in our formal reply to the USA note. You will have noticed that this document is unclassified. If our reply is to have the same status, as the State Department would presumably expect, there would be no restrictions on circulation of the two documents. Even if we were to propose limitations upon the availability of the exchange, it would in my opinion be unrealistic — in view of the special pressures that have developed here — to expect that it would not be shown to powerful supporters of the Administration outside the Government. For this reason it seems to me wiser to confine our written reply to the points made in the USA note and to answer Prochnow's additional arguments by oral comments when the note is presented.

3. The USA note reflects a much less emotional attitude than that adopted by Prochnow in his interview with Couillard. As well, its general tone seems to indicate that the question has now been elevated to a higher plane than that on which it was handled in March. For these reasons it seems to me that the kind of reply most appropriate and effective to the USA note would not be so appropriate, nor so telling, with respect to Prochnow's comments — and vice versa. It would, therefore, be better to separate our responses so as to be able to deal more fittingly with the formal USA case and the Deputy Under-Secretary's oral outburst.

4. Acceptance of my suggestion will necessitate substantial changes in the text of the Canadian reply as it is now drafted. You might wish also to give me written instructions as to the oral points to be made in rebutting Prochnow's assertions. At any rate, it is my strong opinion, having in mind the use that may be made of this correspondence and the kind of people in this country whose opposition has been most vehement, that our written responses should be limited to only those arguments the USA has put on paper.

5. Please let me know as far in advance as possible when our reply is to be made and whether the text I now have is to be altered.

[A.D.P.] HEENEY

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168. DEA/3300-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-1192 Ottawa, August 6, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your Tel 1418 of Aug 2.

MAGAZINE TAX

I am grateful for your comments on the proposed reply to the United States note of July 7. While I do not see any reason why any of the points in our draft note would have embarrassed us had they been made public, I agree that it might be better to address our written reply to the points contained in the United States note. There might otherwise be a danger that the State Department would think it necessary to send us in a further note a fuller statement of their objections.

2. We have redrafted our proposed note accordingly. You should still hold it until further notice. We may be able to give you further instructions on Tuesday August 7. We would agree that Mr. Prochnow's comments should be answered orally when the note is presented. For that purpose the text of our earlier draft note should be suitable. At your discretion these oral points could also be embodied in an aide mémoire.

3. Following is text of revised note. Begins. The Canadian Government has given careful consideration to the views expressed in the Acting Secretary of State's note of July 7 and the comments made earlier by United States officials on the Canadian Government's proposal to impose a tax on the advertising revenues of special Canadian editions of non-Canadian magazines.

4. The Canadian Government wishes to emphasize that this in no sense a question of commercial policy. No tariff or other barrier to the free entry of United States magazines is involved. The proposed tax should be understood as an attempt to prevent the disappearance of the limited number of magazines of general interest that are still published in Canada. The reason for attempting this is that the Canadian Government believes that Canadian magazines serve useful purposes, not least in helping to formulate throughout Canada considered and critical opinions on public affairs. It would be unlikely that by-products of magazines from other countries could fill this role.

5. The Canadian Government has noted that the United States Government believes this measure will have a discriminatory effect in practice and will be injurious to established United States business interests. The tax will apply to special editions wherever they are produced, and no matter what the nationality of the parent magazine. It is true that most of the special editions sold in Canada are by-products of United States magazines, and it is inevitable therefore that most of the magazines subject to this excise tax will be of United States parentage, but the tax will certainly not discriminate on national grounds.

6. It is in the nature of the situation that established United States business interests will be adversely affected. Canada obviously cannot achieve the object of preserving a nucleus of national magazines in Canada without affecting unfavourably the position of the publishers of the by-product editions. However, the special editions represent only a small part of the total operation of the United States publishers concerned; even if they decided to abandon their special editions their total profits would be little changed.

7. The Canadian Government has also noted that the United States Government believes this tax will set an undesirable precedent for other countries. The Canadian Government is not in a position to judge whether the publication of special editions of United States magazines in other countries is desirable or undesirable. However, the Canadian Government was aware of this issue before it considered the proposed tax. Accordingly, the Minister of Finance went to some length to explain the unique situation that prevails in Canada. Canada and the United States share a common language and a common long and very open border, and American magazines account for four-fifths of magazine circulation in Canada. No other country is at all likely to find itself in this position.

8. In view of these various considerations the Canadian Government hopes that the Government of the United States will understand and appreciate the action which the Canadian Government is recommending to Parliament. Ends.

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169. **PCO**

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], August 7, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Fisheries (Mr. Sinclair),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

EXCISE TAX ON CANADIAN EDITIONS OF FOREIGN MAGAZINES
(PREVIOUS REFERENCE AUG. 2)

9. *The Minister of Finance* pointed out that if it were decided to abandon the plan to impose an excise tax on Canadian editions of foreign magazines at this session, it would be quite impossible to recommend the same tax at another session. While the Conservatives would probably oppose the tax and suggest tariff action as an alternative, other opposition parties would probably not take a definite stand.

10. *During the discussion* the following points emerged:

(a) The U.S. government had protested against the proposed tax on several occasions. The Canadian government had undertaken to consult with the State Department before imposing the tax and would have to send a reply to the note received on this matter. This should be done before introducing the resolution in the House.

(b) It was undesirable to back away from the intention announced in the budget speech, although it could be embarrassing to impose the tax. Although there was nothing intrinsically wrong about such a tax, it could be used by the U.S. as a pretext if they imposed new restrictions on Canadian imports and it would be interpreted as an attempt to restrict the freedom of the press. However, these objections were not too serious provided that the anti-dumping character of the tax would be clearly explained and emphasized.

(c) The revenues to be derived from the tax would probably not exceed $2 million and the *Reader's Digest* could perhaps introduce enough Canadian material not to be subjected to the tax. However, since the proposal had been announced, it seemed that *Newsweek* and *Businessweek* had both given up their plans to publish a Canadian edition and, if the tax were imposed, it would probably prevent the establishment of new Canadian editions. It was mainly in this way that it would help to protect all Canadian magazines including several trade journals.

11. *The Cabinet* noted the report of the Minister of Finance on a proposed excise tax on Canadian editions of foreign magazines and agreed that such a tax be recommended to Parliament in its present form at this session.

R.B. BRYCE
Secretary to the Cabinet

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170. DEA/3300-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1450 Washington, August 7, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your Tel E-1194 [Aug] 7.†

MAGAZINE TAX

Shortly after 4 pm this afternoon I delivered to the Secretary of State a note [No. 486] based upon the text in your telegram E-1192 of August 6. Mr. Dulles was accompanied by Burke Elbrick, Acting Assistant-Secretary of European Affairs and by Herbert V. Prochnow, Deputy Under-Secretary for Economic Affairs.

2. I told the Secretary that the Canadian Government had given very careful considerations to arguments which had been advanced by the USA Government in their note and in informal conversations with members of this Embassy and that the strong feelings of the USA Government on this question had also been taken into account. It had been decided, however, to proceed with the proposed tax and that it was likely that the necessary legislation would be introduced into the House some time today.

3. Mr. Dulles said, speaking rather light-heartedly in view of the heavy pressures on him these days, that he regretted this decision and that he hoped that the Canadian Government would regard the imposition of the tax as an experiment and that this experiment would meet the same fate as had the USA experiment with prohibition!

4. At the same time as I presented the note, I left a paper which set out the statistical rebuttal of the USA argument that in view of the improved position of the Canadian magazines there was no need for the proposed tax. At the close of the interview I made an offer to Mr. Prochnow to rebut orally, either now or at some other convenient opportunity, the other arguments which he had presented during his conversation with Couillard in March. Prochnow appeared less than keen to accept my offer, but he said that in any event he would prefer to read the note first. I will ensure that at an early opportunity Prochnow's arguments are rebutted.

5. I should be grateful if you could let me know what arrangements might be suitable to you if the question of publication of the State Department's note and our note should arise.

[A.D.P.] HEENEY

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171. DEA/3300-40

Note du secrétaire d'état suppléant des États-Unis
à l'Ambassadeur aux États-Unis

Note from Acting Secretary of State of United States
to Ambassador in United States

Washington, August 20, 1956

The Acting Secretary of State presents his compliments to the Ambassador of Canada and has the honor to refer to the Ambassador's note of August 7, 1956, concerning the Canadian Government's intention to impose a 20 percent tax on the advertising revenues of special Canadian editions of non-Canadian magazines which are circulated in Canada.

The Acting Secretary wishes to express his appreciation of the Ambassador's explanation concerning the reasons for the proposed legislation and its relation to certain publishing ventures in Canada undertaken by various United States business interests.

The United States Government, nevertheless, regrets this decision of the Canadian government to press on with the proposed legislation and hopes that the Canadian Government will not long consider it necessary. Having in mind its unusual nature, the Acting Secretary ventures to anticipate that, in the event the measure becomes law, the Canadian Government will give the same careful attention to its effects on United States business interests as has already been paid to the formulation of the measure itself.

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172. W.E.H./Vol. 3

Note du sous-ministre adjoint du ministère des Finances
pour le ministre des Finances

Memorandum from Assistant Deputy Minister of Finance
to Minister of Finance

[Ottawa], March 29, 1957

MAGAZINE TAX

I attach a copy of a note dated yesterday from the United States Ambassador here to the Secretary of State for External Affairs. It embodies a renewed protest against the tax and expresses the hope that the Canadian Government "will take appropriate remedial action".

We shall be preparing an appropriate reply to this note.†

Meanwhile, I thought it would be worth noting that the tax appears to have been almost completely successful in achieving its specific objectives. I am not of course suggesting that the particular and powerful interests affected by the tax have not been successful in stirring up a great deal of objection to it. On the other hand we should not lose sight of the fact that the tax has

(a) caused the "grocery books" to cease the publication of their Canadian editions and revert to their previous policy of distributing the ordinary U.S. editions through our food stores;

(b) headed off the plans of *Newsweek* and of *Business Week* and the McGraw-Hill Organization for setting up special Canadian editions in Canada;

(c) redressed in some measure the competitive imbalance between the two big special editions — *Time* and *Reader's Digest* — and their Canadian competitors; this seems to be indicated by the figures you received recently from the Periodical Press Association.

This has been accomplished without in any way interfering with the traditional "free flow of ideas across international boundaries" (the accompanying U.S. note to the contrary notwithstanding) and without transgressing our international obligations (ditto).

A.F.W. PLUMPTRE

[PIÈCE JOINTE/ENCLOSURE]

Note de l'ambassade des États-Unis

Note by Embassy of United States

NOTE NO. 233 Ottawa, March 28, 1957

The Ambassador of the United States of America presents his compliments to the Secretary of State for External Affairs and has the honor to refer to the note of the Canadian Ambassador to the United States of August 7, 1956, and the Acting Secretary of State's reply of August 20, 1956, concerning the twenty percent tax on the advertising revenues of special editions of non-Canadian magazines which are circulated in Canada.

The Government of the United States regrets that the tax has come into force with the prejudicial effects on the interests of the United States which the Acting Secretary of State mentioned in his note of July 7, 1956. The effects of the measure have been severe and, in this Government's view, unfortunate. The tax has forced several United States magazines to suspend their special editions and has substantially reduced the advertising revenue of others.

The United States Government believes that the advertising tax does not accord with the past efforts of both Governments to encourage the development of mutually beneficial commercial relations between the two nations and that it is likely to hinder efforts to promote the most desirable policies in the future.

The Government of the United States continues to believe that the Canadian tax may be used as a precedent for comparable actions by other countries to protect production of magazines and other goods. For this reason the tax conflicts with the policy, which the Governments of the United States, Canada and other nations have been trying to promote, of discouraging discriminatory internal taxation. To the extent that other Governments apply similar internal taxes, some of the progress made in recent years toward the liberalization of trade barriers against goods in general, and against goods of the "dollar area" in particular, may be nullified.

Quite apart from the commercial considerations involved, it is in the interest of both countries that there should be as free a flow of information as possible among the nations of the free world, including many nations where it is of paramount importance that the aims, ideals and activities of Canada, the United States and their allies should be better known. Repetitions of the Canadian action in other parts of the world could severely restrict one of the most effective methods by which such information is spread.

In addition to these conflicts with broad economic and cultural objectives, the United States Government believes that the Canadian tax is inconsistent with the basic principle of the General Agreement on Tariffs and Trade, that internal taxes should not be imposed for protective purposes. Under Article III, which sets forth this principle, contracting parties are obligated not to apply internal taxes to imported or domestic products in a manner "so as to afford protection to domestic production." The Canadian tax is avowedly intended to protect the Canadian magazine industry from the competition of special editions of non-Canadian magazines. Injury to the special editions caused by the tax can be readily demonstrated. The intent and effect of the tax can be readily demonstrated. The intent and effect of the tax to protect the great bulk of the Canadian magazine industry exist, notwithstanding the fact that one of the special editions most seriously affected is printed within Canada.

It is the hope of the Government of the United States that the Canadian Government, acting in the light of the known effect of the tax and in consideration of its potential effects, will take appropriate remedial action.

LIVINGSTON MERCHANT

SECTION C

VOIE MARITIME DU SAINT-LAURENT
ST. LAWRENCE SEAWAY

173. PCO

Note du chef du Comité du Cabinet sur le projet
de la voie maritime et d'hydroélectrique du Saint-Laurent
pour le Cabinet

Memorandum by Chairman, Cabinet Committee
on St. Lawrence Seaway and Power Project,
to Cabinet

CABINET DOCUMENT NO. 37-56 Ottawa, February 21, 1956

ST. LAWRENCE PROJECT: DREDGING NORTH AND SOUTH OF CORNWALL ISLAND

A situation is now arising regarding the St. Lawrence Seaway channel excavations North and South of Cornwall Island that seems to require a general decision of principle by Cabinet even before the engineering data can be fully ascertained. The decision concerns the conditions on which Canada will allow the United States to carry out channel excavations in the vicinity of Cornwall Island and the necessity of informing the United States Government officially now of the Canadian views. If a decision is not taken at this time and Canada allows the matter to drift, it will not be possible to complete the dredging north and south of Cornwall Island before the end of 1958 as scheduled.

When Canada and the United States agreed on January 11, 1952,[108] to discuss steps leading to the approval by the International Joint Commission of the St. Lawrence Power Project, both governments did so on the understanding that, should the 1941 Seaway Agreement not be approved by the United States Congress, the Government of Canada would proceed with the construction of the Seaway. This decision was taken subsequent to the Canada-Ontario Agreement of 1951 which provided that Canada would do works solely for navigation and Ontario Hydro would undertake to do works solely for power and works common to power and navigation.

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[108] See/Voir Volume 18, Document 767.

Among the works common to power and navigation are certain excavations North and South of Cornwall Island. These excavations were referred to in the applications made by both governments on June 30, 1952,[109] to the International Joint Commission, and they were shown in brown on the map† (copy attached) which also indicated that "final location of excavation" (of the parts shown in brown) "was to be determined from results of further model experiments and studies". The Applications by the governments detailing channel enlargements, and the Commission's Order of Approval, indicated that "downstream from the powerhouses, channel enlargements will be carried out for the purpose of reducing the tailwater level at the powerhouses". It was also stated that "final locations and cross-sections of these channel enlargements will be determined from further studies".

The International Joint Commission approved these Applications on October 29, 1952. As a result of further discussions between the two governments, an Exchange of Notes was concluded on August 17, 1954,[110] which indicated that the United States Government intended to participate in the St. Lawrence Seaway Project by constructing certain canals and locks as authorized under Public Law 358. Canada, for its part, indicated that it would construct the remaining works for a seaway from Montreal to Lake Erie, including a canal and lock at Iroquois. Public Law 358 (the so-called Wiley-Dondero Act of May 13, 1954) provides that the United States St. Lawrence Seaway Development Corporation may construct "works *solely* for navigation" designated in the joint report of January 3, 1941. Accordingly, there seems to be some question whether the United States St. Lawrence Seaway Development Corporation can undertake those works which are designated as works *common* to power and navigation. In addition, as between the Power Authority of the State of New York and the United States St. Lawrence Seaway Development Corporation, there appears to be no binding agreement similar to the Canada-Ontario Agreement of 1951 which determines who should carry out the works *common* to power and navigation below the Barnhart Island powerhouses. The United States St. Lawrence Seaway Development Corporation, for its part, maintains that the Power entities are obliged to undertake the excavations North and South of Cornwall Island.

Some model studies have been carried on to determine what channel enlargements below the powerhouses are required for power purposes. These have not yet been completed. Other studies are just now being undertaken in Canada. At present, it appears that the Power entities are not anxious to undertake other than a minimum of channel excavations immediately adjacent to the tailrace. If the Power entities determine that the economics do not favour dredging North and South of Cornwall Island, it may mean that no ships other than shallow draft will be able to reach the locks on the United States side opposite Cornwall unless the United States Seaway Development Corporation or some combination of entities agreed to assume the burden of channel excavations in that area. The situation thus created would be clearly ridiculous.

Any dredging South of Cornwall Island in order to allow vessels to enter the United States locks opposite Cornwall Island will have an adverse effect upon the level or flow in the Canadian waters North of Cornwall Island. As the waters in the vicinity of the Island are boundary waters, both the United States and Canadian Governments are to be guided in their acts by the provisions of the Boundary Waters Treaty of 1909. The first paragraph of Article III of that Treaty provides that neither government shall, except by a special agreement between them or by the approval of the International Joint Commission, make any use of or obstruct or divert waters so as to affect the "natural level or flow" of boundary waters on the other side of the line. The second paragraph of Article III states that the above provisions are not intended to limit the existing rights of both governments to carry on works for "the deepening of channels" for the benefit of commerce and navigation, provided such works are wholly on one side of the line and "do not materially affect the level or flow of the boundary waters" on the other side. It is clear that the dredging South of Cornwall Island will *materially* affect the level or flow of waters on the North side. The extent to which the levels or flow will be affected has not yet been fully determined.

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[109] Voir/See Volume 18, Document 782.

[110] Voir/See Volume 20, Document 579.

It can be said, in summary, that the Order of the International Joint Commission dated October 29, 1952, was an Order for the development of the power potential of the International Section which was based on the assumption that Canada would do all the necessary navigation works. At that time, dredging North of Cornwall Island was necessary for navigation purposes. It now appears that with the navigation works being located by the United States South of Cornwall Island, the Power entities do not see that they would gain any benefit other than through dredging at the tail-race. Accordingly, *no* dredging North and South of Cornwall Island, other than that at the tail-race, is likely to be undertaken unless it is done by the United States Seaway Development Corporation, or some combination of entities, in order to gain access to the Robinson Bay Locks. Such dredging may, of course, produce some incidental benefits for the Power entities.

Two questions now arise. The first one is on what terms should the Government of Canada allow the United States to dredge South of Cornwall Island? The second question concerns the division of costs between the entities concerned or both countries.

Under Article III of the Boundary Waters Treaty of 1909, the Canadian Government can have this matter determined either by making Application to the International Joint Commission or by a special agreement with the United States Government. It appears that the second course, being the speedier, is to be preferred at this time.

In deciding upon the substance of the agreement, the Canadian Government could insist that the levels or flows be restored or it could agree that the levels or flows be *not* restored now, but that the United States give a guarantee that should Canada desire in future to build a navigation channel on its side at Cornwall, the United States gives its agreement in advance to such works. It seems, however, that such an agreement — which might be implemented in, say, 25 years' time — ought to be consigned in a more solemn manner than in an exchange of notes, otherwise it could be repudiated. The only satisfactory form for such an undertaking to be executed in the future would be a treaty requiring United States Senate approval. In view of past experience, this is not very feasible. If the agreement is to be executed immediately, however, it could take the form of an exchange of notes.

It therefore appears that, as regards dredging North and South of Cornwall Island, both countries are hostages to each other's fortunes in a way which would not exist in the future, and that the Canadian Government should require that any disturbance to the level and flow North of Cornwall Island caused by United States channel excavations South of Cornwall Island should be compensated in the form of a navigation channel North of Cornwall Island. In order to solve the problem for the future, such a navigation channel should be constructed now to at least the depth of the channels now being dug in the international section of the river. Therefore, it seems that both countries should reach a special agreement to ensure that a navigation channel is built now in the North Channel, and on the division of costs.

A study of estimates made separately by the United States Seaway Development Corporation and the St. Lawrence Seaway Authority indicates that the total works North and South of Cornwall Island (including a navigation channel North of the Island) would cost about $28 million. It so happens that these works would be physically situated approximately half in Canada and half in the United States. If a division of costs on a 50-50 basis were agreed with the United States, it would assist the United States Seaway Development Corporation in remaining within its statutory budgetary limits. In addition, such a division might be acceptable to the United States because part of the works are to be done in "boundary waters" concerning which the Boundary Waters Treaty of 1909 provides that each country shall have "equal and similar rights". In so far as Canada is concerned, the costs (less benefits accruing to the Power entities) could be borne appropriately by Seaway tolls.

Recommendations

The Committee recommends that:

(a) diplomatic negotiations be undertaken with a view to reaching a special agreement with the United States regarding the channel excavations North and South of Cornwall Island, other than those at the tail race of the powerhouses;

(b) the agreement should provide that the compensating works North of Cornwall Island should take the form of channel excavations for deep water navigation purposes;

(c) the agreement may provide that Canada and the United States share equally the total cost of the excavations North and South of Cornwall Island, on the condition that provision is made for the carrying out by Canadian contractors and labour of approximately 50% of the work;

(d) the Canadian share of these channel excavations, less the contribution of the power authorities under (e) below, should be charged to Seaway tolls;

(e) the costs of the benefits accruing directly to the Power entities as a result of excavations North and South of Cornwall Island should be borne by them.[111]

Respectfully submitted,
G.C. MARLER

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174. DEA/1268-AD-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM X-345 Ottawa, February 27, 1956

RESTRICTED. IMPORTANT.

Reference: My immediately preceding telegram.†

DREDGING NORTH AND SOUTH OF CORNWALL ISLAND

Following is the text of the memorandum to be handed to the State Department. Text Begins:

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[111] Ces cinq recommandations ont été approuvées par le Cabinet le 23 février 1956.
These five recommendations were approved by Cabinet on February 23, 1956.

The question of channel excavations North and South of Cornwall Island has been discussed several times between the Canadian and United States authorities in recent months. Moreover, the St. Lawrence Seaway development corporation has recently raised the question of one or two specific items of dredging which it wishes to do in this area. These specific items must be considered in the light of the general question of dredging in the area of Cornwall Island. In order to ensure that delays over these excavations do not disrupt the schedule for the completion of the St. Lawrence Seaway project, it appears to be desirable that agreement should be reached and the excavations started in 1956.

2. The excavations required in the area of Cornwall Island for power purposes are described in Appendix "A" of the order of approval of the International Joint Commission of October 29, 1952. It now appears that these excavations for power purposes may be confined to the area immediately below the power houses. In this case excavations required for navigation purposes South of Cornwall Island, in order to give the required channel depths and to provide access to the Grass River Lock, would have to be carried out by one or both of the Seaway entities.

3. Excavations required to give access to the Grass River Lock in the international section of the St. Lawrence River would be made partly in United States territory and partly in Canadian territory. Aside from any effect which they might have on the level or flow of the boundary waters on the Canadian side of the South Cornwall channel, the excavations would result in a material alteration of the level or flow of the boundary waters on the Canadian side of the river in the North Cornwall channel. Accordingly, under Article III of the Boundary Waters Treaty the excavations could be carried out only with the approval of the International Joint Commission or upon the conclusion of a special agreement between the two governments.

4. The Canadian Government suggests that there should be a special agreement in the form of an exchange of notes to provide for these excavations, as this would be a quicker and simpler procedure than an application to the International Joint Commission with the extensive public hearings which would probably result. Such an agreement could set out in general terms the character of the excavations to be made both North and South of Cornwall Island and the division of responsibility between the two countries for carrying out the work. The Seaway entities could be charged with the execution of the agreement.

5. With respect to the compensatory excavations in the North Cornwall channel, the Canadian Government is of the view that these excavations should take the form of a channel suitable for deep water navigation. The Canadian Government is prepared to seek with the United States Government a reasonable arrangement for dividing the responsibility for and the cost of the excavations between the two Seaway entities. Text ends. Message ends.

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175. DEA/1268-AD-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 732 Washington, April 19, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Our Tel 344 Feb 28/56.†

DREDGING NORTH AND SOUTH OF CORNWALL ISLAND

Following is the text of an aide mémoire handed to us late yesterday afternoon by Outerbridge Horsey, Director of the State Department's Office of British Commonwealth and Northern European Affairs. We will send some additional information on this subject in a following message. Text begins:

The US Government has considered the applications of the governments of the US and Canada to the International Joint Commission for the approval of the construction of the St. Lawrence power project in accordance with the controlled single-stage project (238-242) of January 3/41, the features of which are shown in the plan which was a part of the applications. It has also considered the International Joint Commission's order of approval of October 29/52, as well as licensing and other documentation related to the power project, and is of the opinion that the power entities are responsible for excavation in the Cornwall channels, just as they are responsible for excavations immediately below the Barnhart Island power houses.

The excavations in the Cornwall channels for which the US Government considers the power entities to be responsible are referred to as features 33 and 34 in the annex of the Canada-Ontario agreement of December 3/51, which cites the final report of 1942 on the St. Lawrence River project by the corps of engineers, US army. Excavations immediately below the Barnhart Island power houses constitute an entirely separate item as feature 32 of that report. The two power entities themselves have included $14,209,162 for Cornwall channel excavations in their cost estimates of their works based on January 1/54, price levels.

As a result of model tests in the US, it appears that excavations in the areas of features 33 and 34 result in increased benefits to power which would be in excess of the present day cost of channel excavations required for features 33 and 34. Furthermore, these results could be obtained without materially changing the natural distribution of flows between the channels North and South of Cornwall Island or the water levels contemplated under controlled single-stage project (238-242).

Also, it clearly appears that the provisions to be made for excavation by the Seaway entities solely for navigation in the eastern reach of the South Cornwall channel downstream from approximately Mile 110 would not affect the above mentioned water flow distribution or levels in both channels.

Since there would be a natural flow distribution and since water levels in both channels would be in accordance with the controlled single-stage project (238-242), which makes provision for excavations in the Cornwall channels by the two power entities, the US Government does not believe that there are circumstances warranting action other than a determination by the St. Lawrence River Joint Board of Engineers. The board was established by an exchange of notes of November 12/53, between the two governments for the review, coordination and approval of the plans, specifications and programs of the power entities for the construction of the works included in the project as approved, and further to assure the construction of these works as approved.

Accordingly, the US Government considers that the proper and most expeditions procedure would be for the two governments to direct their [...]ctions of the St. Lawrence River Joint Board of [...] power entities to submit plans and specifications [...] excavations in the

Cornwall channels to the said Board.[112]. If further discussions between the two governments are necessary before such action can be taken, the Government of the US suggests, because of the time element involved in construction, that a meeting of representatives of the two governments be held at the earliest practicable date.

The division of responsibility and cost of excavations by the Seaway entities solely for navigation in the eastern reach of the South Cornwall channel downstream, from approximately Mile 110, appears to be a matter which could be arranged satisfactorily between the two Seaway entities.

With respect to the proposal that compensatory excavation in the North Cornwall channel should take the form of a channel suitable for deep water navigation, the US Government considers it necessary to study this matter in the light of the various factors which would be involved. Among these factors is the nature of the excavations which the St. Lawrence River Joint Board of Engineers considers to be the responsibility of the power entities. Consequently, it would appear to be additionally urgent that plans and specifications for excavations by the power entities in the Cornwall channels be submitted to the Board without further delay. Text ends.

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176. DEA/1268-AD-40

Note de la Direction de l'Amérique

Memorandum by American Division

CONFIDENTIAL [Ottawa], April 27, 1956

ST. LAWRENCE PROJECT: DREDGING NORTH AND SOUTH OF CORNWALL ISLAND

A meeting of the St. Lawrence group was held Tuesday, April 24, to discuss the State Department memorandum handed to the Canadian Embassy in Washington on April 18. Present were: Messrs. Côté and Patterson of Northern Affairs, Scott of Transport, Stead of Finance, Cunningham of Privy Council Office, Chevrier, Gavsie, West and Ripley of the Seaway Authority, General McNaughton and Mr. MacCallum of the IJC and Carter and Harman of External Affairs. Mr. Carter acted as Chairman.

2. Mr. Carter opened the meeting with a brief analysis of the United States memorandum, pointing out that it contained two new arguments to bolster the U.S. contention that power should do all the dredging, viz. the provision of $14 million for this work, in the power entities' estimates, and the results of model tests. He mentioned that the Canadian stand on the provision of 27-foot navigation in the north channel would be jeopardized if we were to agree with the U.S. interpretation. He suggested the meeting might discuss the significance of the U.S. position and the attitude the Canadian representatives might take at the proposed intergovernmental talks on the subject.

3. Mr. Chevrier recalled that he had been assured by Mr. Anderson (then U.S. Assistant Secretary of Defence) that the U.S. authorities had no concern whatever with the form of the north channel dredging and that if the Canadian Government wished this to be suitable for deep water navigation, the U.S. would not object. Mr. Chevrier felt therefore that the new U.S. memorandum was an attempt to prevent such a development, and he suggested that we should disagree strongly with the U.S. position as given in the memorandum. He

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[112] Les crochets comprendraient la partie du texte qui manque à l'original, un des coins de celui-ci ayant été déchiré.
The material in square brackets indicates the portion of the text missing from the original, which has been torn in one corner.

also took issue with the method of action suggested by the State Department, stating that it was not for the Joint Board of Engineers to rule on works intended for navigation, as the Board's functions were limited by the IJC Order of Approval to those concerning power.

4. Mr. Côté suggested the meeting consider the relative positions of the two memoranda. It was apparent, he said, that the U.S. Government wished to reject our contention that part of the dredging is for navigation purposes. He agreed with Mr. Chevrier that we should disagree with the U.S. position, and suggested that it was quite improper for the U.S. Government to be basing its case on an extraterritorial document, the Canada-Ontario Agreement of 1951. He said we must, however, recognize the difficulty of the U.S. Government's position, bound as it is by the terms of the Wiley Act, and unwilling for political motives to seek additional funds from Congress. Our reply should take these circumstances into account.

5. General McNaughton spoke about the interpretation of the two governments' applications to the IJC and of the IJC Order of Approval. He said that there was no justification to think that the Order required the power entities to do any dredging below the Barnhart Island power houses that is not required for power purposes.

6. At this point Mr. Carter asked whether it was important that the dredging operations in this area be begun this year, to which Mr. West replied he thought they should, in order to ensure completion by the end of 1958.

7. Mr. Chevrier raised the question of "benefits to power" and pointed to the widely divergent estimates which had been submitted on these benefits. He mentioned particularly the estimate of $25 million which he had recently received from Mr. Adams of the Federal Power Commission and which seemed a great amount.

8. At Mr. Chevrier's request, Mr. Ripley spoke about the model tests which have been conducted at the National Research Council. He stated that these had been based on the premise that the works were intended for navigation purposes. He described the most recent tests as being a combination of U.S. Plan 2, for the navigation channel south of Cornwall Island, and Canadian Plan 8 for compensatory channel. The total costs of this project would be about $26 million, divided as follows:

South Channel	$16.8 million	United States	$ 9.6 million
North Channel	9.2 million	Canada	16.1 million

From this plan power would definitely gain 1 1/4 feet in head of water, and perhaps (depending on further tests) 1 1/2 feet.

9. Mr. Chevrier mentioned that the Seaway Authority had received requests from their U.S. counterpart for permission to begin the dredging from Mile 110 to the international boundary, which they consider they are authorized under the Wiley Act to do (as works "solely for navigation"), and for which $3.7 million are available. The Authority has discouraged these requests, however, thinking that this dredging should be part of an integrated plan for the whole Cornwall Island reach. The $3.7 million could then be used as the SLSDC's contribution to the total costs.

10. Mr. Carter foresaw the possibility of a general agreement among the four interested parties on this basis, with which suggestion Mr. Chevrier agreed. Mr. Chevrier went on to outline the tentative division of costs worked out informally by the Authority. This was based on the SLSDC being able to provide up to $4 million, and the power entities $15 million between them. This would leave an expenditure of about $7 million for the SLSA. (Mr. Stead pointed out that this was a change from the previous 50-50 split between seaway entities.) The $15 million "power" contribution appeared to be based on a calculation

of 1 1/2 feet of additional head of water at $10 million a foot, a figure which had been used informally by Hydro engineers in their calculations on the Islington models.

11. General McNaughton pointed out that there must be some satisfactory and realistic basis on which the benefit to power can be calculated.[111] He believed that the combined staffs of HEPCO and PASNY in Toronto had worked out a figure, but Dr. Holden of HEPCO had been unwilling to divulge this to him in informal conversation. He said he thought that the $5 million Mr. Moses had expressed willingness to pay was merely an opening bid.

12. Mr. Côté suggested a plan of action, involving first a reply to the U.S. disagreeing strongly with the terms of their memorandum, followed, if power so wished, by a submission by the power entities of limited dredging plans to the Joint Board and followed subsequently by talks with the Ontario authorities to ascertain how "reasonable" they and PASNY will be about contributing something to the costs to compensate for the benefits power will receive from the excavations.

13. It was suggested that any agreement with Ontario might be a part of the revision contemplated to the Canada-Ontario Agreement of 1951. In this connection Mr. Scott suggested that Hydro might wish to calculate its benefit from the dredging in terms of "saleable power", that is, capitalizing the value of 1 1/4 feet of head on the basis of the contract prices current when the power house begins producing. Hydro might therefore be unwilling to give an estimate now.

14. It became apparent that little progress could be made on a definition of a four-way division of costs until a satisfactory estimate was obtained of the benefits to power. It was thought that this should be sought from Dr. Hearn of HEPCO before he leaves for Europe at the end of April. After discussion, it was decided that Messrs. Scott, Côté, Carter and Cunningham should call upon Dr. Hearn later this week, and that Mr. Marler should be asked to arrange the meeting. The opportunity should be taken then to inform Hydro of recent developments in our discussions with the Americans and to obtain Dr. Hearn's views on the subject.

15. When the views and estimates are obtained from Hydro, the meeting will be reconvened to discuss the text of a reply to the U.S. memorandum.

G.R. HARMAN

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177. DEA/1268-AD-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM X-875 Ottawa, May 10, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Your Telegram 732 of April 19.

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[111] Note marginale :/Marginal Note:
Gen McN[aughton] referred to estimates made by hydro re Iroquois work — $12.4 million for a foot of head [T. LeM. Carter]

DREDGING NORTH AND SOUTH OF CORNWALL ISLAND

My immediately following telegram contains the text of a memorandum on this question. It is a reply to the United States memorandum of April 18, the text of which was conveyed in your telegram under reference. We will telephone you when it receives approval of Mr. Marler, so that you can deliver it to State Department.

2. The opening paragraphs of the memorandum are intended to refute the arguments concerning responsibility for dredging North and South of Cornwall Island as set out in the U.S. memorandum. We have made a study of the documents and are convinced they do not support the U.S. contention that the power entities are responsible for this work. The memorandum accordingly re-affirms our view that the basic requirement of this dredging is for navigation purposes, although we acknowledge that the power entities should contribute an amount corresponding to the benefits they would receive. You will recall that there was no reference to such a contribution by the power entities in our memorandum of February 28 for the reasons set out in paragraph 8 of our telegram X-344.†

3. The memorandum makes more specific our general offer to share the costs of the dredging. We also transmit for the information of the U.S. Government, the calculations we have received from Hydro, but in so doing we do not endorse these calculations and you should make this clear.

4. In handing over the memorandum, you should emphasize again that acceptance of the Canadian position on excavations for deep water navigation in the north channel is an essential part of any settlement of this question. This is the aspect of the whole question to which we attach the greatest importance.

5. We share the U.S. concern that failure to agree on this subject may delay the St. Lawrence project and we accordingly would be glad to have a meeting of federal officials concerned on each side, at several days' notice. We would agree to a meeting either in Washington or Ottawa, but would prefer Ottawa.

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178. DEA/1268-AD-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM X-876 Ottawa, May 10, 1956

CONFIDENTIAL. IMMEDIATE.

DREDGING NORTH AND SOUTH OF CORNWALL ISLAND

Following is the text of a memorandum to be handed to the State Department. Text begins:

The Canadian Government regrets that it is unable to agree with the United States Government's interpretation of the documents relating to the division of responsibility between the Seaway and power entities for dredging North and South of Cornwall Island, namely, that in the light of all the documents the power entities are responsible for the channel excavations corresponding to features 33 and 34 in the final report of 1942 by the United States Army Corps of Engineers.

2. The exchange of notes of June 30, 1952, envisaged that Canada would undertake the construction of all the navigation works in the International Rapids section. When Canada agreed at that time to make a contribution of $15 million to the power entities, it made this offer in respect of the works described in paragraph 4 of Annex A of the Canada-Ontario Agreement of 1951 and in Section 8 of the two governments' applications to the International Joint Commission. Neither paragraph 4 of Annex A nor Section 8 of the applications contains any reference to features 33 and 34 which were listed in paragraph 5 of Annex A. Indeed, the Order of Approval of the International Joint Commission of October 29, 1952, includes specifically all the works common to navigation and power *except* features 33 and 34. With respect to excavations downstream from the powerhouses, the order of approval provides merely that "channel enlargements will be carried out for the purpose of reducing the tail-water level at the powerhouses".

3. With the Wiley-Dondero Act a new situation was created under which the United States declared its intention to construct the navigation works in the International Rapids section of the St. Lawrence River. No provision was then made by the United States for the construction of features 33 and 34, which are necessary to provide for navigation between the Grass River Lock and Lake St. Francis, but which also benefit power. In the Canadian view, it would be reasonable for the power entities to contribute to the cost of the excavations North and South of Cornwall Island an amount corresponding to the benefits they would receive.

4. In this connection, the Canadian authorities wish to transmit some calculations which have been furnished informally by the Hydro-Electric Power Commission of Ontario. The Commission has calculated that if, for the purposes of the power project only, the power entities were to undertake excavations to lower the tail water level at the powerhouses, the economic limit for expenditures for these excavations (in addition to normal excavations at the tail-race only) would be of the order of $8.5 million to $9.5 million. This expenditure would result in lowering the tail water level 1.24 feet. The Commission has indicated that such a sum would be an equitable contribution by the power entities towards excavations primarily for navigation purposes, which would lower the tail water level to the same extent.

5. The Canadian Government is concerned lest delays in settling this question prevent the completion of the St. Lawrence Seaway and power project on schedule, and accordingly it is prepared to agree to an equal division of the costs of these excavations between Canada and the United States. It has been estimated that the total cost of these works, including those in the South channel downstream from Mile 110, would be $26 million. The Canadian Government is willing to bear $13 million, less one-half the amount the power entities would contribute for the benefits they receive.

6. As the excavations North and South of Cornwall Island for navigation purposes are not adequately covered by the Order of Approval of October 29, 1952, either a new application to the International Joint Commission or a special agreement between the two governments is required. In view of the urgency of settling the question, the latter is preferable. With respect to the compensatory excavations in the North Cornwall channel, the Canadian Government reiterates the view set out in the memorandum of February 28, and previously expressed on the official level at a meeting in Ottawa on June 17, 1955,[114] that these should take the form of a channel suitable for deep water navigation.

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[114] Voir/See Volume 21, Document 434.

7. As there is a substantial difference between the views expressed on this subject, the Canadian Government agrees that an early meeting of representatives of the two governments should take place, in order to discuss the whole question. Text ends. Message ends.

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179. DEA/1268-AD-40

Note de la Direction de l'Amérique

Memorandum by American Division

CONFIDENTIAL [Ottawa], May 14, 1956

ST. LAWRENCE PROJECT: DREDGING NORTH AND SOUTH OF CORNWALL ISLAND

A meeting of the Interdepartmental Committee on the St. Lawrence was held Monday, May 7, to discuss a possible reply to the United States memorandum of April 18, in the light of additional opinions and information received from officials of the Ontario Hydro. Present were Messrs. Côté and Patterson of Northern Affairs, Scott of Transport, Stead of Finance, Lamontagne and Cunningham of Privy Council Office, Chevrier, Gavsie and West of the St. Lawrence Seaway Authority, MacCallum of the International Joint Commission, and Carter and Harman of External Affairs. Mr. Lamontagne acted as chairman.

2. After a review of the problem by the Chairman, Mr. Scott reported on the visit of officials to HEPCO in Toronto, of Dr. Holden's subsequent consultation with PASNY in New York and his visit to Ottawa last Friday. Dr. Holden had informed officials that HEPCO and PASNY considered the additional 1.24 feet of head worth to them between $8.5 million and $9 million. He had asked Mr. Moses not to inform other interested parties of this offer until it had been discussed in Ottawa. Mr. Scott calculated that with a power contribution of $9 million, and with a Canadian Government contribution of $9 million for the 27-foot north channel, it would be possible to divide the remaining $8 million equally between the seaway entities.

3. The Chairman pointed out that this was not in accord with the Cabinet decision of February 23, but Messrs. Stead and Gavsie thought it could be justified to the Canadian public in view of the special Canadian interest in the north channel. Mr. Chevrier suggested that instead, a special offer should be made on the basis of the Cabinet decision. The Chairman agreed, pointing out that under the Boundary Waters Treaty the United States would be responsible for all these works, and that the Canadian Government offer to pay one-half was therefore very generous.

4. The Chairman suggested that there appeared to be three methods of dividing the costs:

(a) in accord with the Cabinet decision, a division equally between the two countries, each paying $13 million, and in effect being reimbursed by the power entities $4.5 million to $5 million each;

(b) Canada paying one-half ($13 million) of the total, and the power entities and the SLSDC sharing the other half;

(c) using a calculation of $6 million for the navigation channel north of the Island, the Canadian Government might pay that, and the remaining $20 million be split equally between the four interested entities.

5. Mr. Gavsie raised the question of U.S. contractors working on the Canadian side of the boundary under these schemes. He pointed out that under the arrangements made for building the Pollys Gut Bridge, the Government had been unwilling to have this happen, and preferred to assume responsibility for building the half of the bridge which lies in Cana-

dian territory. Mr. Chevrier commented that it had been the Government's policy with regard to the whole St. Lawrence Project to have all work in Canadian territory done by Canadian contractors and Canadian labour. Mr. Carter mentioned that in an early draft of the February memorandum to Cabinet there had been provision for Canada to assume the costs of the 27-foot north channel quite apart from an equal division of the total costs less the power contribution. This had, however, not found favour and had been omitted from subsequent drafts.

6. The discussion returned to the political and financial difficulties of the U.S. Seaway Corporation. The Chairman mentioned that the Canadian Government also was under fire regarding the seaway and might be expected to be criticized for letting U.S. contractors do work in Canadian territory. It was pointed out, however, that the United States does all the dredging in the Upper Lakes.

7. Mr. Carter suggested the meeting might wish to give some critical thought to the Hydro estimate of about $10 million for the power contribution. This matter was discussed and as there were conflicting methods of estimating the benefits to power from navigation dredging at Cornwall Island, it was thought advisable to seek the advice of Mr. R.A.C. Henry as to the proper evaluation of these benefits. A meeting with Mr. Henry was arranged for Tuesday, May 8.

8. The meeting then discussed the draft memorandum† to the Cabinet Committee, which had been prepared by Mr. Côté. After considerable discussion, it was decided that the Cabinet Committee should not be approached at present, but that the Embassy in Washington should present a further memorandum to the State Department re-stating the Canadian position, making more clear the offer to pay one-half the total cost which was stated generally in the previous memorandum, and submitting the estimate received from Hydro. It was also thought that the new memorandum should agree to a meeting of governmental representatives to discuss the whole question in the near future.

G.R. HARMAN

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180. DEA/1268-AD-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 923 Washington, May 18, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Your tels X875 and X876 May 10/56 and Carter-Taylor telephone conversation May 16/56.

DREDGING NORTH AND SOUTH OF CORNWALL ISLAND

Wednesday afternoon we delivered to Mr. George Vest of the State Department's Canadian Desk, the memorandum given in your telegram X876 of May 10. In our oral comments we emphasized that the acceptance of the Canadian Government's position on excavations for deep water navigation in the north channel was an essential part of any settlement. We said also that the Canadian Government did not endorse the calculations of the Ontario Hydroelectric Power Commission, which were contained in our memorandum.

2. Vest's comments, which were very frank (and, we think, encouraging from the Canadian point of view) went as follows. Referring first of all to the arguments set out in our memorandum concerning the division of responsibility between Seaway and power entities for the dredging North and South of Cornwall Island, Vest indicated that he was not surprised by the line we had followed. He reminded us, however, that in his government's view, strong arguments could be mustered to show that the power entities alone were responsible for these excavations. Vest then indicated, referring to the possibility of a general settlement, that speaking most informally and on the understanding that his comments would be reported as a preliminary State Department view to be kept strictly within the Canadian Government, he could not help but think that a mutually satisfactory settlement would be reached, despite the fact that both sides now hold opposite views on the interpretation of the relevant documents. (We take this to mean that although the US Government remain convinced of the validity of their position on the responsibility issue, nevertheless, in order not to delay construction of the Seaway, they will not obstruct a settlement by insisting on that position.

3. Vest said that to make an agreement on the Cornwall Island dredging "fit into the past pattern" of exchanges between the two governments, the US Government would probably wish to have the agreement say that they have no objection to the Canadian proposal to dredge a 27 ft. channel North of Cornwall Island, provided that this dredging does not affect the level and flow of waters in the South channel. (Such a statement might give the impression that the US Government is simply acquiescing in a proposal which the Canadian Government could have carried out with or without the agreement or consent of the US Government. The creation of that impression might ease some of the domestic difficulties which the Administration have anticipated in connection with our proposal.)

4. While speaking on this point Vest remarked that the State Department's view was that the tail race dredging and the dredging North and South of Cornwall Island had already been authorized by the terms of the International Joint Commission's Order of Approval of October 29/52. He added that the implication of that view, if it were agreed, would be that there was no need for either another reference to the International Joint Commission or a special agreement between the two governments. We said that on this point the views of the two governments differed. Vest went on to say that some US engineers were firmly of the opinion that the construction of the 27 ft. navigation channel North of Cornwall Island could be carried out in such a way that the dredging would not affect the level and flow of water in the South channel that would exist after the necessary navigation dredging had been done there. Vest asked if we knew whether the Canadian engineers were of the same opinion and when we replied that we had no idea, he asked if we could try to obtain information on this point for him. He said that if this opinion were shared by engineers of both sides, it would "smooth the path" for an agreement between the two governments. We said we would ask for this information but that we were doubtful whether it was available.

5. It has occurred to us that if it is indeed possible and feasible for Canada to construct a 27 ft. channel north of Cornwall Island without disturbing the level and flow of water in the South channel, the immediate conclusion that the US authorities would draw is that there is no need for Canada to construct the 27 ft. channel now, since we will be perfectly free to do it at any time without either a reference to the IJC or a special agreement with the US Government. We have received no indication that the US authorities will attempt to persuade Canada to that view, but obviously if they could, the way would immediately be opened for them to suggest that construction of the 27 ft. channel North of Cornwall Island be deferred. If the construction were deferred, the effect might be to ease the financial

difficulties foreseen by Mr. Castle and the political difficulties expected by the Administration.

6. Vest noted, with respect to the proposed contribution of the power entities, that the possible contribution of $8.5 million to $9.5 million envisaged by HEPCO for the two power entities was of the same order as that apparently contemplated by PASNY. PASNY, in their discussions with the St. Lawrence Seaway Development Corporation, have been speaking, it seems, in terms of a possible contribution by the two power entities of $8 million ($4 million from PASNY, $4 million from HEPCO). Vest observed that the figure of $26 million used in the 6th paragraph of our memorandum was the same as that which had been used by the US authorities in their own discussions. Assuming (a) the total cost of all the dredging to be $26 million, and (b) a total contribution by the two power entities of $9 million, and using the formula suggested in the 5th paragraph of our memorandum, Vest calculated that the St. Lawrence Seaway Development Corporation would be expected to provide $8.5 million. Vest said that although he did not know for certain, he seriously doubted whether the SLSDC would be able to provide that amount of money. He thought that the absolute maximum the SLSDC would be able to contribute would be about $5 million, and he expected that Mr. Castle would soon inform PASNY that their previous suggestion that the two power entities might contribute a total of $8 million was not acceptable to the SLSDC. Continuing, Vest said that if the US Government accept the concept that the power entities should contribute "an amount corresponding to the benefits they would receive" (paragraph 3 of our memorandum) the US engineers calculations indicated that since the power entities would reap 60 percent of the benefits accruing from dredging North and South of Cornwall Island, they (PASNY and HEPCO together) should be expected to contribute a total of $13.6 million. On that basis and using the Canadian cost sharing formula, the contribution by the SLSDC would be $5.2[115] million, (the same as the Canadian Government's share). You will notice that this figure is very close to the $5 million maximum that Vest thinks the SLSDC will be able to contribute.

7. Later in the conversation Vest came back to the question of the estimated total costs of these excavations (paragraph 6 of our memorandum) and he asked whether it would be possible for us to obtain for him an indication of exactly what excavations are included in the figure $26 million. He asked specifically whether, in the Canadian view, this figure includes the costs of "extra dredging" required to construct a 27 ft channel North of Cornwall Island; (ie, the costs over and above the costs of whatever compensatory dredging would be required to restore the level and flow in the North channel.) Vest said that he would be most grateful to receive this information, but that he would understand if you preferred not to provide it.

8. The significance of this information for the US Government became evident later in the conversation when Vest emphasized that the US authorities are strongly opposed to having these "extra dredging" costs included in the toll base. He noted that our memorandum did not touch on this point. He said that the US authorities thought that the dredging of a 27 ft channel North of Cornwall Island could be "explained" (albeit not easily) in this country. But the explanation would be made infinitely more difficult (and perhaps impossible) if the costs of this "extra dredging" had to be recovered from Seaway tolls, since this arrangement would present the administration with a serious domestic problem. Vest mentioned specifically that US shipping interests, who ultimately would have to bear at least

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[115] Note marginale :/Marginal Note:
6.2? [T. LeM. Carter]

part of these costs, could be expected to object loud and long and the Administration apparently is not prepared to invite their criticism.

[A.D.P.] HEENEY

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181. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], May 24, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare
    and Acting Secretary of State for External Affairs (Mr. Martin),
The Minister of Labour (Mr. Gregg),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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ST. LAWRENCE SEAWAY; DREDGING OFF CORNWALL ISLAND
(PREVIOUS REFERENCE FEB. 23)

20. *The Minister of Transport* said the U.S. Secretary of the Army was coming to Ottawa with his advisers, on May 29th, to discuss with him and Canadian officials the question of dredging off Cornwall Island. The Canadian position on this matter had been that the compensating works in the north channel required under the Boundary Waters Treaty should take the form of excavations suitable for deep water navigation, and that Canada would be prepared to pay 50 per cent of the total cost, provided one-half of the excavations be done by Canadians and the net contribution of the federal government be charged to seaway tolls.

It was believed that the Canadian offer would not be acceptable to the U.S. government, mainly because the U.S. Seaway Development Corporation was short of funds and did not want to embarrass the administration by asking Congress for more money before a presidential election. Although, it was difficult to predict the exact position that Mr. Brucker would take at the forthcoming meetings, he would probably contend that there was no necessity at this time to provide for 27-foot navigation in the north channel; that, if such provision were made, the additional cost involved should not be charged to seaway tolls; and that the U.S. government could not agree to any proposal which required the Seaway Development Corporation to spend more than $4 to $5 million on dredging off Cornwall

Island. The U.S. corporation also contended that the power entities should pay the whole cost of the dredging which was worth that much to them in increased head.

In order not to delay the works unduly, it was necessary to reconcile these divergent views and to decide whether or not the Canadian government would be prepared to go beyond its previous offer. He recommended, with the concurrence of the Secretary of State for External Affairs,

(a) that Canada undertake to pay the entire cost of dredging in Canadian territory, which was estimated at two-thirds of the total cost, provided that Ontario Hydro would pay one-half of the estimated benefits accruing to the power entities and that the dredging in Canada would be done by Canadian construction agencies; and,

(b) that, if U.S. representatives could not accept at this moment charging to seaway tolls of the additional cost of providing for 27-foot navigation in the north channel, Canada should be prepared to postpone discussion of this problem as being premature at this time.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 23, 1956 — Cab. Doc. 118-56†).

21. *During the course of discussion* the following points emerged:

(a) The Canadian government had agreed to build a joint seaway and should not be too rigid on the provision for 27-foot navigation in the north channel because it was not needed immediately. On the other hand, if current negotiations did not lead to a firm agreement on this question, the U.S. government might refuse permission to Canada to proceed with these works in the future. Moreover, the only other alternative at present consisted in digging a pointless hole in the north channel to restore the level and the flow of water. This was clearly undesirable, because the cost of providing for 27-foot navigation at a future date would be much higher than the additional $5 million which was now required.

(b) The power entities had estimated the value of the benefits they would derive from the excavations at approximately $9 million. They would undoubtedly be prepared to pay $10 million. However, the U.S. government had expressed the opinion that the benefits to power could be valued at a much higher figure. The Seaway Development Corporation and the New York Power Authority held divergent views on this question, and Canada should not take part in the discussion between these two U.S. agencies, which had become a public issue and had an obvious domestic political background.

(c) The Canadian offer to contribute 50 per cent of the total cost had apparently been based on the assumption that approximately one-half of the excavations were to be made in Canadian territory, while it appeared now that two-thirds of the dredging would be on the Canadian side. Moreover, it was felt that the allocation of the cost between the United States and Canada was not too important because the contribution of the two seaway entities would be charged to seaway tolls, except, possibly, the additional $5 million required to provide now for 27-foot navigation in the north channel.

(d) The Canadian proposal to share the cost equally with the U.S. appeared generous when considered in the light of the provisions of the 1909 treaty. According to the terms of that treaty, the U.S. government should assume the cost of dredging in the south channel which was estimated at $17 million, and of the works necessary to maintain the flow and levels in the north channel, which had been figured at approximately $4 million. If Canada now offered to pay two-thirds of $17 million, mainly because the Seaway Development Corporation was short of funds and did not want to go back to Congress before the next election, the government could be made to appear in a weak position. Even if the Canadian contribution were to be charged to seaway tolls, the proposal would mean in effect that Canada was making a loan to a U.S. agency.

(e) If Canada were not prepared at this stage to offer to pay two thirds of the cost, the works would probably be delayed for a year. Such a delay was not in the best interests of Canada. However, the Canadian government could not be asked to prevent delays at all cost, especially when the U.S. stood to lose more from delays than Canada.

22. *The Cabinet* noted the report of the Minister of Transport on dredging off Cornwall Island and agreed that Canadian representatives be authorized to discuss new cost-sharing formulae at the forthcoming meeting with U.S. officials, provided that no commitments be undertaken on behalf of the Canadian government beyond the proposal to pay 50 per cent of the total cost of dredging, including the expenditures involved in providing for 27-foot navigation in the north channel.

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182. DEA/1268-AD-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], May 31, 1956

CORNWALL ISLAND DREDGING: MINISTERIAL DISCUSSIONS

As you know, ministerial discussions were held here on May 29 between representatives of Canada and the United States regarding the question of responsibility for dredging in the St. Lawrence River north and south of Cornwall Island. Mr. Marler and Mr. W.M. Brucker, Secretary of the Army, were the principal representatives.

2. The two main issues in this matter are the form the compensatory dredging in the north channel is to take and the division of the costs of the total amount of dredging between the two seaway and two power entities.

3. The Canadian Government's position on the north channel, which was set forth strongly by Mr. Marler, is that the dredging which must be done in the north channel to compensate for the navigation dredging in the south channel should be in a form suitable for deep water navigation. In his exposition of this attitude, Mr. Marler used three arguments. He stressed the Government's reluctance to spend or contribute to the spending of the estimated $6 million on compensatory dredging in the form of what he called "a perfectly useless hole", when for some $10 million it could be done in a way which would allow for 27-foot navigation if and when the traffic warrants duplicate lock and canal facilities at Barnhart. In addition, he suggested it would be difficult for him to explain to the electors and the manufacturers of Cornwall why the Government chose not to bring 27-foot navigation to that city at this time; the point is that, even without duplicate locks, 27-foot ships ought to be able to come to Cornwall. The Government's primary reason for taking a strong line, which was mentioned but not given prominence by Mr. Marler, is that it does not want a Canadian Government of the future to be prevented from realizing an "all-Canadian seaway" by leaving this essential link in the project dependent on the approval of the United States Government of the day.

4. Although Govern[illegible] Brucker and the United States delegation listened attentively to Mr. Marler, they were not convinced. Their opposition to the 27-foot north channel appeared to remain firm. Mr. Yingling of the State Department put the United States case

succinctly in stating that the Canadian Government was asking the United States now to give up its right under the Boundary Waters Treaty to approve or disapprove projected Canadian works which would affect the level and flow of boundary waters. It was made clear at the meeting that although Canada was obliged to *consult* the United States before constructing a Canadian canal and locks at Barnhart, only the 27-foot dredging north of Cornwall Island required the *consent* of the United States (or of the I.J.C.). Mr. Brucker argued that the 27-foot excavation need not be done now and attempted to assuage what he called Canadian fears about the attitude of a future United States Government, and said that the Canadian insistence on the 27-foot north channel was causing real concern to officials in Washington.

5. From the May 29 meeting, therefore, it appears that the United States Government is unwilling to agree at present to a 27-foot navigation channel north of Cornwall Island; Mr. Brucker said that he would take the question back to Washington. There is a possibility that a more generous offer from Canada on the financial side (as discussed in the next paragraph) will persuade the United States authorities to alter their present position, but this is doubtful. Rather than agree to the 27-foot north channel, the United States may be willing to accept a postponement of the target dates for the seaway and power projects, with the idea that the delay could be blamed on Canada.

6. On the question of division of costs, the meeting reached no conclusions. On the basis of various calculations presented by both sides, it appeared that with a larger-than-heretofore-contemplated contribution from the power entities, and a more generous offer by the Canadian Government, a settlement could be reached. The United States authorities have moved from their extreme claim that the power entities should pay for all the dredging, and now would be satisfied if they (i.e. power) contributed about $14 million jointly. As you will remember, the power entities have offered $8.5 to $9.5 million. It was left to the U.S. Seaway Corporation in the first instance to approach the New York State Power Authority in an attempt to obtain the larger amount from Power. Subsequent discussions on this question will include the Seaway Authority and Ontario Hydro. It is anticipated that when the power contribution is agreed, the negotiations regarding division of the remainder will be resumed through diplomatic channels.

7. I think that the Canadian Government may, if it is to stand firm on the 27-foot north channel, have to accept the possibility that agreement will not be reached in the near future and that as a result the whole St. Lawrence project may be delayed. Although the economic and political arguments adduced by Mr. Marler are sound, there is no doubt that some of the blame for the delay will fall on the Canadian Government, especially in the eyes of the United States public. This can probably be ameliorated somewhat by an active program of explanation to the public, but it remains an important factor in considering the problem. In view of our experience with the United States on the St. Lawrence project, I continue to believe that it is in the Canadian national interest to insist that we should dredge the 27-foot north channel now, when our bargaining position is strong, and I recommend that you continue to support this in Cabinet.[116]

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[116] Note marginale :/Marginal Note:
We should stand firm on this L.B. P[earson]

8. Presumably Mr. Marler will soon hear from Mr. Brucker as to whether the United States will withdraw (and on what conditions) its opposition to Canada's plan to dredge now a 27-foot channel north of Cornwall Island.

M.H. W[ERSHOF]
for Under-Secretary of State
for External Affairs

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183. PCO

Extrait d'une note du chef du Comité interministériel sur le projet de la voie maritime et d'hydroélectrique du Saint-Laurent pour le Comité du Cabinet sur le projet de la voie maritime et d'hydroélectrique du Saint-Laurent

Extract from memorandum from Chairman, Interdepartmental Committee on St. Lawrence Seaway and Power Project, to Cabinet Committee on St. Lawrence Seaway and Power Project

CABINET DOCUMENT NO. 146-56 Ottawa, July 9, 1956

CONFIDENTIAL

RELOCATION OF THE ROOSEVELT BRIDGE — NEW YORK CENTRAL RAILROAD

Alternative No. 1 (authorized by present legislation)

In accordance with the Cabinet's decision of September 21, 1955[117] it was agreed between the Canadian and United States Governments that the two seaway entities should participate in the construction and share the costs of a new low-level combination highway and railway bridge at Pollys Gut between the western end of Cornwall Island and the United States mainland (marked in red on the attached plan†).[118] The railroad, highway, customs and other related facilities on Cornwall Island between this new span and the existing one which joins the northern end of the Island and the City of Cornwall were to be relocated by the Canadian Seaway entity alone. The United States Seaway Development Corporation undertook to provide uninterrupted highway facilities between the Pollys Gut Bridge and St. Regis (a Canadian Indian district on the south shore of the St. Lawrence that is entirely surrounded by United States territory) via twin bridge facilities at the Grass River Lock and the bridges over the Grass and the Raquette Rivers. Parliament at this session passed the necessary amendment to the St. Lawrence Seaway Authority Act to authorize Canadian participation in the new Pollys Gut Bridge.

Side issues were the taking over of the interest of the Cornwall International Bridge Company Limited which operates a toll system and maintains a roadway over and between the two existing spans of the Roosevelt Bridge, (marked in blue on the attached plan) the eventual construction of a high-level highway bridge over the north channel between the City of Cornwall and Cornwall Island, and the operation by the Seaway Authority of a toll system on the highway bridges. Authority for the carrying out of these projects by the Seaway Authority was also granted in the amendment to the Act.

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[117] Voir/See Volume 21, Document 436.

[118] Un échange de notes entre le Canada et les États-Unis, daté des 16 et 17 novembre 1955, expose les grandes lignes de cet accord. Voir Canada, *Recueil des traités*, 1956, N° 24.
This agreement was outlined in an exchange of notes between Canada and the United States dated November 16 and 17, 1955. See Canada, *Treaty Series*, 1956, No. 24.

This arrangement is physically very complicated, as can be seen from the attached plan, and is comparatively costly. In any case the New York Central, almost certainly supported by the U.S. Seaway Development Corporation, would now strongly object to it because of the new situation regarding the Reynolds Aluminum Company that is referred to in Alternative No. 3.

Alternative No. 2 (authorized by present legislation)

The foregoing arrangements had been made in the belief that the New York Central did not wish to abandon its Ottawa-Helena line. However, in subsequent negotiations the railroad proposed to abandon the line in return for the payment to it of 3.9 million. This would have resulted in some saving, in that the design of the Pollys Gut Bridge could have been modified and the relocation of the railroad facilities in the Cornwall Island area eliminated. It would also have provided an opportunity for the Federal District Commission to purchase the site of the Ottawa terminus of the railroad, as it must acquire land in this area in any case to enable it to carry out its future plans. It was considered that the road-bed of the line between Ottawa and Cornwall would provide a route for a highway, the provision of which would make it easier for the public and the Board of Transport Commissioners to accept abandonment of the line.

On May 3, 1956 the Cabinet agreed that the Vice-President of the St. Lawrence Seaway Authority and the Chairman of the Federal District Commission be authorized to approach the Ontario Government to see if it were interested in the construction of a highway over the right-of-way and, if so, what amount it was prepared to pay for the right-of-way. The Ontario Government was approached as agreed, but is reported not to be interested in constructing a highway over this route. It was believed that under the circumstances the New York Central would not be able to obtain permission to abandon the line. In view of all this, the St. Lawrence Seaway Authority had, within the last few weeks, arrived at the conclusion that it would be necessary to provide, as originally planned, a combined railway and highway bridge at Pollys Gut, together with the other railroad and highway facilities in the Cornwall Island area.

Alternative No. 3 (authorized by present legislation)

A new situation has now arisen that has led the U.S. Seaway Development Corporation to come forward with a further proposal. The Reynolds Aluminum Company is reported to be interested in purchasing, as a site for a large industrial plant, 2,000 acres of land in the vicinity of the proposed relocated highway and rail line on the United States south shore of the St. Lawrence River to the east of the Grass River Lock. The New York Central has already optioned some of the land required and could option the remainder. The Railroad Company expects to gain some $5 million a year in additional revenue if this industry in the vicinity of Rooseveltown, New York, were established. The Company objects to having the railway and highway pass through the site of its plant, as they would if Alternative No. 1 were adopted. Accordingly, the New York Central now proposes to abandon its line between Cornwall and Helena, and to service the Reynolds industry by a spur line connected to one of its other lines in the area. The railway company has mentioned 2.3 million as the price it would wish to receive from the seaway entities for the abandonment. Permission of the Board of Transport Commissioners and of the appropriate corresponding U.S. agency would be required. To solve the highway situation the Seaway Development Corporation is proposing to shift the roadway in a westerly and thence a southerly direction (marked in green on the attached plan). This, however, would revive the problem of the

St. Regis Indians and indeed, of all traffic coming from the east through the United States to Cornwall. The Indians going from St. Regis to Cornwall would have to travel an additional six miles. Many of the difficulties in deciding on a plan of relocation in the beginning had arisen because of the desire to cause the Indians as little inconvenience as possible.

Alternative No. 4 (requires new legislation)

If the railway line between Cornwall and Helena were to be abandoned a fourth alternative would be possible. The Pollys Gut Bridge could be abandoned completely and a high level highway bridge built across the south channel of the St. Lawrence River approximately at the site of the present south shore low-level bridge that has to be removed.

The high level highway bridge scheme is much to be preferred over the other schemes. It is far more direct and follows the present north-south international highway route at Cornwall. Preliminary estimates have shown it to be cheaper than other proposals (8.5 million or less versus at least 9 million). In addition, this proposal answers the Aluminum Company's problem and is best for the Indians and other traffic coming from the east by the south shore to Cornwall.

This alternative would, however, require a further amendment to the St. Lawrence Seaway Authority Act at the present session of Parliament, as work should be commenced during the present construction season. The amendment to the Act already passed at the present session, that authorized the Authority to participate in the Pollys Gut Bridge, was drafted in a restrictive manner because the bridge was, at that time, being planned as a low level highway and railway bridge and, as such, the only possible location for it was across Pollys Gut. Also, it was considered that the bill would be more acceptable to Parliament if it referred to a specific bridge in a given location.

Recommendation

It is therefore recommended:

1. that alternative No. 4 be adopted and that the St. Lawrence Seaway Authority be authorized to inform the Saint Lawrence Seaway Development Corporation that it would be agreeable to joining with the Corporation in financing the costs of the abandonment of the railway facilities between Cornwall and Helena bridge across the south channel between Cornwall Island and the U.S. mainland; and

2. that approval be granted for the introduction at the present session of Parliament of an appropriate amendment to the St. Lawrence Seaway Authority Act to empower the Seaway Authority to participate in the construction of the high level bridge.[119]

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[119] Ces deux recommandations ont été approuvées par le Cabinet le 12 juillet 1956.
These two recommendations were approved by Cabinet on July 12, 1956.

184. DEA/1268-AD-40

L'ambassadeur des États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador of United States
to Secretary of State for External Affairs

CONFIDENTIAL Ottawa, July 20, 1956

Dear Mike [Pearson]:

You will recall the discussions which have been going on between the interested authorities in the Canadian and U.S. Governments concerning the Canadian request for our agreement to the dredging of the channel north of Barnhart Island to a depth of 27 feet. This matter was one of the subjects of the discussions held in Ottawa on May 29.

Being aware of the Canadian desire to secure our approval of this dredging and in light of our common interest in avoiding delay in the completion of the St. Lawrence Seaway project, our Departments concerned in Washington have been giving intensive and urgent consideration to finding a solution. I will not bother you with a recitation of our problems and difficulties with which you are familiar.

We believe now, however, that we have found a way out which is embodied in the enclosed copies of a suggested exchange of notes between the Government of Canada and the Government of the United States. I am submitting these to you informally and I would greatly appreciate having the opportunity of discussing these draft notes with you as early next week as would be convenient for you. I hope that you will agree that this meets your problems as well as ours.[120]

Sincerely yours,
LIVINGSTON T. MERCHANT

[PIÈCE JOINTE 1/ENCLOSURE 1]

Note

CONFIDENTIAL

SUGGESTED TEXT OF CANADIAN NOTE

Excellency:

I have the honor to refer to the exchange of notes of August 17, 1954 and the exchange of letters of February 21-22, 1955,[121] concerning the St. Lawrence Seaway project, presently being jointly constructed by the St. Lawrence Seaway Development Corporation and the St. Lawrence Seaway Authority, and also to more recent conversations concerning excavations which are to be carried out in the channels north and south of Cornwall Island in connection with this development of the St. Lawrence River. The excavations in question will be as follows:

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[120] Note marginale :/Marginal Note:
Mr. Léger — I take it that this won't do [L.B. Pearson]

[121] L'échange de correspondance est reproduit dans United States, Department of State, *Bulletin*, Volume XXXII, No. 820, March 14, 1955, p. 437.
The exchange is reproduced in United States, Department of State, *Bulletin*, Volume XXXII, No. 820, March 14, 1955, p. 437.

a. South channel enlargements between Miles 107.5 and 109.7

b. Excavations in the south channel from Mile 109.7 downstream to the International Boundary near St. Regis.

c. Compensatory excavations in the north channel for the purpose of providing for a natural distribution of flow between the north and south channels.

The Canadian Government proposes that the division of responsibility for these excavations shall be arranged between the Power and Seaway entities. It is recognized that the Seaway entities are responsible only for works, or features thereof, which are solely for navigation in the Seaway now under construction and that the ensuing costs are chargeable to the toll base of that seaway. The division of responsibility between the two Seaway entities shall conform with the International Boundary line as closely as is practicable.

The Canadian Government recognizes that a duplication of Seaway facilities will not be desirable or economically justified until required by the pressure of increased shipping traffic on the St. Lawrence River facilities as well as on those connecting Lake Ontario and Lake Erie. The Canadian Government therefore proposes that it will not duplicate any part of the St. Lawrence Seaway project in the international rapids section by the construction of additional facilities until such time as the two Governments agree that traffic conditions justify such additional facilities. This shall not exclude any local river and harbor developments related to or connected with the Seaway which may be undertaken provided that such developments will not delay the construction of the Seaway and, if affected by the Boundary Waters Treaty of 1909, are authorized or agreed to pursuant to the procedures established by that Treaty. The cost of such developments shall not be chargeable to the Seaway toll base.

Simultaneously with the excavation in the North Cornwall Channel required to compensate for the South Channel excavations and enlargements in the maintenance of natural flow distribution, the Canadian Government intends to develop for its own account a local river and harbor improvement program in the North Cornwall Channel. This work is to be so planned and executed that it will not create additional expense or substantial problems with respect to the construction and operation of either the power works in the International Rapids Section of the St. Lawrence River or the contemplated 27 foot Seaway channel south of Cornwall Island.

The St. Lawrence River Joint Board of Engineers shall perform the duties specified in clause (g) of the Order of Approval of the International Joint Commission of October 29, 1952, and in the exchange of notes of November 12, 1953 between the two Governments.[122] The Board shall approve the plans and specifications for compensatory excavations and shall also determine the expense of the minimum compensatory excavations which are required in the north channel in conjunction with the construction of a navigation channel south of Cornwall Island.

Accept, Excellency, the renewed assurances of my highest consideration.

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[122] Voir Canada, *Recueil des traités*, 1953, N° 21./See Canada, *Treaty Series*, 1953, No. 21.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Note

CONFIDENTIAL

SUGGESTED UNITED STATES RESPONSE

Sir:

I have the honor to acknowledge the receipt of your note ___ of ___ concerning excavations which are to be carried out in the channels north and south of Cornwall Island in connection with the development of the St. Lawrence River.

The United States Government takes cognizance of the statements contained in your note which represents the understanding of the US Government with regard to the work which will be performed in these channels at this time and the basis on which additional works may be initiated in the future.

Accept, sir, etc.

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185. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 156-56 Ottawa, July 19, 1956

CONFIDENTIAL

LEGAL REDRESS FOR DAMAGES RESULTING FROM ST. LAWRENCE POWER PROJECT

General Statement

The construction of the St. Lawrence Power Project in the International Rapids section of the St. Lawrence River is being done under the international authority of the International Joint Commission's Order of Approval of October 29, 1952. On July 2, 1956, a Supplementary Order amending the Order of Approval of October 29, 1952, was issued which makes certain changes found necessary as a result of further study in regard to the regulation of the levels of and outflow from Lake Ontario.

2. On February 9, 1956, which was during the period when this Supplementary Order was under consideration, an Aide-Mémoire (relevant portion of text attached as Annex A†) was delivered by the United States State Department to the Canadian Embassy in Washington. It proposed that there be included in the Supplementary Order a provision which would authorize the Commission to undertake a new function: that is, itself to investigate claims for damages alleged to have resulted from anything done in pursuance to the order, and to determine the cause of such alleged damages. The Aide-Mémoire also proposed that such findings should thereafter be made available for use as evidence to any party interested in any dispute arising out of such alleged damage.

Question Requiring Cabinet Decision

3. The question requiring Cabinet decision is what response should be made to the Aide-Mémoire. An interim acknowledgement† was sent in February.

Nature of Study which has been made into the Question

4. The approval of the International Joint Commission expressed in its Order of October 29, 1952, was made subject to certain conditions. The only one of these conditions with which this memorandum is concerned is Condition (a). It provides as follows:

"All interests on either side of the International Boundary which are injured by reason of the construction, maintenance and operation of the works shall be given suitable and adequate protection and indemnity in accordance with the laws in Canada or the Constitution and laws in the United States, respectively, and in accordance with the requirements of Article VIII of the Boundary Waters Treaty."

5. In connection with this condition, the Commission noted in its Order that it finds:

"that suitable and adequate provision is made by the laws in Canada and by the Constitution and laws in the United States for the protection and indemnity of all interests on either side of the international boundary which may be injured by reason of the construction, maintenance and operation of the works."

6. Since the adoption of the International Joint Commission's Order of Approval of October 29, 1952, doubts have been expressed from both Canadian and United States sources as to whether adequate protection had been afforded under the laws of Canada and the United States to any interest on either side of the International Boundary which is injured as a result of the operation of the St. Lawrence Power Project. (The damage which some people are worrying about is damage *after* construction is completed and when the power project is in operation).

7. The most significant development in this connection was the State Department's Aide-Mémoire of February 9, 1956.

8. As a direct result of this Aide-Mémoire, a meeting was held between officials of the Canadian Government and the United States Department of State on March 26, 1956, in Ottawa. At this meeting, there was a frank exploratory exchange of views at the working level, concerning the proposals contained in the Aide-Mémoire.

9. The State Department representative at the meeting indicated that one of the reasons for presenting the Aide-Mémoire was that a private claimant wishing to prove that he had suffered damage as a result of the operation of the St. Lawrence Power Project would be placed in an unfair position. To prove such damage in a court, such a claimant might have to go to the expense of assembling together highly technical data at great financial cost to himself which might be beyond the limits of his own financial resources. The International Joint Commission was in an excellent position to secure data of this kind and what the proposal in the Aide-Mémoire was designed to do was to make the Commission available to the private claimant for this purpose. The State Department Representative further indicated that the Lake Ontario landowners had, through their representatives in Congress, put considerable pressure on the State Department to go very much further than the proposal contained in the Aide-Mémoire.

10. The Department of External Affairs representative at the meeting suggested that the State Department could tell the landowners that, if they should suffer damage, they could have their damage claims heard in the courts and, that if any extraordinary situation should arise in the future which might require government intervention, this problem could be met

at that time. There was no point in trying to anticipate these problems before they actually arose, particularly as the fears of the landowners in this regard might be groundless.

11. The External Affairs representative indicated that the Canadian authorities would give earnest consideration to the State Department's Aide-Mémoire, having in mind that the proposals contained in it had the official support of the United States Administration. He also suggested that officials of each Government should re-examine their laws to see if they were adequate. It was open to each Government to endeavour to change them if they were found not to be satisfactory.

12. Following the conclusion of the meeting, consultations took place between officials of the Department of External Affairs and of the Department of Justice, and between these officials and officials of the Ontario Government and Ontario Hydro, with a view to answering the following questions:

(1) Does the International Joint Commission have the authority to amend its Order of Approval of October 29, 1952, in the manner proposed in the State Department's Aide-Mémoire?

(2) If the International Joint Commission does have such authority, how would such a proposal be regarded under the laws of Canada?

(3) Has suitable and adequate provision been made in so far as is possible under the laws of Canada for the protection and indemnity of all interests on either side of the International Boundary which may be injured by reason of the construction, maintenance and operation of the St. Lawrence Power Project?

13. A meeting was held between Mr. Varcoe, Deputy Minister of Justice, Mr. Magone, Deputy Attorney-General of Ontario, and Mr. McDonald, counsel for the Ontario Hydro-Electric Power Commission, in Toronto, on May 4, 1956, to discuss these three questions. A representative from the Department of External Affairs also attended this meeting.

14. Following this meeting, Mr. Varcoe advised the Department of External Affairs in a letter dated May 16, 1956 (copy is attached as Annex B† to this memorandum) in part as follows:

"It is ... my view that the International Joint Commission does not have the authority to amend the Order of Approval (i.e., International Joint Commission's Order of Approval of October 29, 1952) in accordance with proposal of the American State Department as set out in the Aide-Mémoire of February 9, 1956, and that the inclusion of such a provision in the Order of Approval would be devoid of legal significance in so far as the Canadian courts are concerned.

"It follows from what I have said that the Canadian courts would not feel themselves bound by any such provision unless the provision were implemented by appropriate legislation and a statute of the Legislature of Ontario would, undoubtedly, be required. I should also say that it is also my view that the International Joint Commission is not competent to determine any question which might arise in litigation before the courts in a manner which would be binding on the courts having jurisdiction to decide it."

15. As a result of the study which has been made in respect to the third question, it is now the view of the Departments of Justice and External Affairs that, while events may prove that there are weaknesses in the remedies available under Canadian law to persons suffering damages as a result of any act or omission by any Canadian authority relating to the maintenance or operation of the St. Lawrence Power Project, there is, nevertheless, no reasonable ground for doubting the soundness, from the standpoint of Canadian law, of the finding in the Commission's Order of Approval of October 29, 1952, regarding the ade-

quacy of Canadian and United States laws concerning legal redress as set out in paragraph 5 of this memorandum.

Recommendation

16. I recommend, therefore, with the concurrence of the Minister of Justice, that a reply along the following lines be made to the United States Aide-Mémoire of February 9, 1956:

The Canadian Government would not favour the proposal contained in the Aide-Mémoire for the following reasons:

(a) Insofar as the laws of Canada are concerned, the necessity does not arise for investing the International Joint Commission with the judicial function proposed in the Aide-Mémoire because the Canadian Government has no reason at this time to doubt the soundness of the finding contained in the Commission's Order of Approval of October 29, 1952, regarding the adequacy of these laws to provide appropriate legal redress.

(b) The proposal implies that the International Joint Commission has power to amend Canadian law and to establish itself as part of the judicial machinery of Canada. This the Commission clearly has no authority to do.

(c) The proposal would require the International Joint Commission to assume a new function of a judicial nature, which the Commission as presently constituted is not equipped to undertake. Any attempt to invest the Commission with a judicial function not contemplated by the Boundary Waters Treaty might seriously prejudice its all-important role of dealing with boundary water problems from a broad international policy standpoint.[123]

L.B. PEARSON

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186. DEA/1268-AD-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], July 31, 1956

CORNWALL ISLAND DREDGING

Mr. Merchant's letter of July 20 and the draft exchange of notes which was attached to it have been discussed with the officials of the departments concerned. The reaction of the officials in other departments is similar to those I expressed in my memorandum of July 23,† of which I attach a copy for reference. The general feeling is that the draft which Mr. Merchant sent you represents practically no concession to the Canadian point of view, either in substance or in drafting. As the United States draft shows very little willingness to meet us halfway, it is the recommendation of the officials concerned that you should send back to Mr. Merchant a counter-draft which is phrased in moderate terms but which similarly makes no concession of consequence in the Canadian position. It was particularly the view of the different officials that we should make no concession on the question as to whether or not the costs of the dredging in the north channel additional to that required for compensation should be charged to tolls, or on the question as to the role of the

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[123] Le 27 juillet 1956, le Cabinet a autorisé une réponse suivant trois lignes de conduite.
Cabinet authorized a reply along these lines on July 27, 1956.

St. Lawrence Joint Board of Engineers. (The United States claims that the Board has authority to approve dredging in the area and we maintain it has no jurisdiction.) Our feeling in the Department was that we might show some willingness to concede on these points, but other officials maintained that we can make concessions later on if the United States authorities show any willingness to give way on our main point, namely, the 27-foot excavations in the north channel.

2. At the same time, it was recommended that in your reply you should set out our views on the 27-foot navigation in the north channel somewhat more clearly than has been set out in writing before, although these views have been expressed in the recent discussions.

3. A copy of the attached letter and draft exchange of notes has been sent to Mr. Baldwin, Deputy Minister of Transport, with the request that he show it to Mr. Marler, as you will presumably want to seek Mr. Marler's concurrence in this text before despatching it.

M.H. W[ERSHOF]
for Under-Secretary of State
for External Affairs

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187. DEA/1268-AD-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur des États-Unis

Secretary of State for External Affairs
to Ambassador of United States

CONFIDENTIAL Ottawa, August 2, 1956

Dear Livie [Merchant],

I wish to acknowledge your letter of July 20 regarding the discussions which have been proceeding between representatives of the Canadian and the United States Governments on the question of dredging north and south of Cornwall Island. May I say in the first instance that I was disappointed that the suggested exchange of notes did not go very far to meet the wishes of the Canadian Government expressed in previous correspondence and discussions. I attach for your consideration a much shorter draft exchange of notes which has been prepared with the idea that it may be easier to reach agreement if we limit the text to the essential points.

As you know, the chief concern of the Canadian Government in this matter is to ensure that the excavations necessary for 27-foot navigation in the north Cornwall channel shall be done now concurrently with the dredging in the south channel. The reasons for this attitude were set out by my colleague, Mr. Marler, at the meeting with United States representatives on May 29. As the excavations in the south channel would, in any event, require compensatory excavations in the north channel, our view is that the considerable sum required for these compensatory excavations should be spent in such a manner as to protect effectively future 27-foot navigation in the north channel. We desire that provision be made for deep-draft ships using the new seaway to dock at Cornwall. I also understand that excavations for 27-foot navigation in both the north and south channels require, under Article III of the Boundary Waters Treaty, the approval of the International Joint Commission or a special agreement between our two governments because of the disturbances of the natural level or flow of boundary waters. We consider it best to settle the matter of north channel excavations between the two governments now, when the natural level and flow of the boundary waters in these channels are being disturbed.

Moreover, if excavations for 27-foot navigation in the north channel are undertaken now concurrently with the work in the south channel, this would confirm that Canada enjoys the same freedom of action in the matter of duplication of navigation works in the International Rapids Section, subject to the same obligation to consult, which the United States enjoys. The Canadian Government attaches great importance to this freedom of action for the eventual construction of navigation facilities on the Canadian side, and for this reason the proposed undertaking not to duplicate navigation facilities in the International Rapids Section without United States agreement, which is set out in the draft note attached to your letter, is not acceptable. As we have indicated a number of times, and as Mr. Marler said on May 29, the Canadian Government has no present intention to build a canal and locks on our side at Cornwall.

Regarding the question of division of responsibility and cost for the excavations north and south of Cornwall Island, I understand that, at a recent meeting between the St. Lawrence Seaway Authority and the St. Lawrence Seaway Development Corporation, a tentative arrangement was made for apportioning the work. I also understand that a tentative arrangement has been made with the power entities as to the contribution which they will respectively make towards the cost of this work. I think it essential that a definitive arrangement between the four seaway and power entities on the subject be concluded either before or concurrently with the exchange of notes. The section of the attached draft dealing with this subject has been drawn up accordingly.

Regarding the inclusion in the toll-base of the cost of north channel excavations other than compensatory ones, I regret that it is not possible for us to concur in your draft. We are unwilling to undertake now that these costs will not be charged to tolls. This does not mean, however, that they definitely will be so charged; but rather that when the various questions regarding the toll-base are reviewed in one or two years' time, the Canadian Government will decide whether this item will be included or held over for later inclusion if and when the canal and locks are built on the Canadian side at Cornwall. Meanwhile, the representations of the United States Government on this point will be given serious consideration.

An additional sentence has been added on customs and immigration procedures and I assume that this would be satisfactory.

I should be glad to discuss the attached draft exchange of notes with you.

Yours sincerely,

L.B. PEARSON

[PIÈCE JOINTE 1/ENCLOSURE 1]

Projet d'une note

Draft Note

SUGGESTED TEXT OF CANADIAN NOTE

I have the honour to refer to the exchange of notes of August 17, 1954 and the exchange of letters of February 21-22, 1955, concerning the St. Lawrence Seaway project which is now being constructed by the St. Lawrence Seaway Authority, and also to more recent conversations concerning excavations which are to be carried out in the channels north and south of Cornwall Island.

2. The following is my understanding of the agreement which has been reached in the recent discussions:

(a) Arrangements have been made between the Seaway and Power entities regarding division of responsibility for the following excavations:

(1) South channel enlargements between miles 107.5 and 110;

(2) Excavations in the south channel from mile 110 downstream to the International Boundary near St. Regis;

(3) Compensatory excavations in the north channel for the purpose of providing for a natural distribution of flow between the north and south channels.

In conjunction with these excavations it is understood that the United States Government will build training dykes at the entrance to the Grass River lock, and that the Canadian Government will undertake improvements in the north channel which will provide deep water access for the City of Cornwall.

(b) It is agreed that the plans and specifications for the works described in the preceding paragraph will be prepared by the Corporation and the Authority respectively in accordance with the distribution of work which has been arranged.

(c) Each government reaffirms the undertaking given in the notes and letters under reference not to duplicate on its territory, without first consulting the other, the 27-foot navigation works at Iroquois or Barnhart Island now under construction by the Authority and the Corporation respectively.

(d) Appropriate reciprocal customs and immigration arrangements will be made as required.

3. I should be glad to know if you concur in this understanding of the agreement which has been reached.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Projet d'une note

Draft Note

SUGGESTED TEXT OF U.S. REPLY

I have the honour to acknowledge receipt of your Note No. ___ of ___ concerning excavations which are to be carried out in the channels north and south of Cornwall Island in connection with the St. Lawrence Seaway Project and to inform you that the United States Government concurs in your understanding of the agreement reached in the recent discussions on this subject.

188. PCO

Note du ministre des Transports
pour le Cabinet

Memorandum from Minister of Transport
to Cabinet

CABINET DOCUMENT NO. 185-56 [Ottawa], October 2, 1956

CONFIDENTIAL

CORNWALL ISLAND DREDGING

Since this question was last discussed in Cabinet on May 23, there have been several exchanges of views with representatives of the United States. I have met twice with Mr. Brucker, the United States Secretary of the Army, and there has been an exchange of correspondence between the Secretary of State for External Affairs and the United States Ambassador in Ottawa. Thus far the United States authorities have not been able to agree to our plans for 27-foot excavations in the channel north of Cornwall Island. Indeed, at my September 13 meeting with Mr. Brucker, the United States attitude on this point appeared more rigid than before.

2. At that meeting the Secretary of the Army informed me of a new legal opinion which he had obtained from the United States Attorney General. The substance of this opinion is that the United States has full legal right, without further consent from Canada, to dredge a navigation channel south of Cornwall Island to provide access to the Grass River lock. The reasoning is that when Canada agreed in 1954 that the United States should build this lock, it also approved implicitly any works necessary to bring the lock into operation. Following from this opinion, Mr. Brucker argued that the United States is entitled to arrange for appropriate compensatory works in the north channel, without unreasonable conditions with respect to cost, location or character being interposed by Canada. Furthermore, the Attorney General considered that the United States Government cannot by executive act agree to Canada's plans for dredging a 27-foot channel north of Cornwall Island. This statement is based on an interpretation of the Wiley-Dondero Act of 1954.

3. While there is no point in embarking on a legal discussion in reply to the new United States legal opinion, we cannot agree that there is no limitation on the United States right to dredge in the south channel. In the first place, part of this work is in Canadian territory, and Canadian consent is clearly necessary before it can be undertaken. Secondly, under the Boundary Waters Treaty, the United States may not make excavations which materially affect the levels and flows on the Canadian side, except with the approval of the International Joint Commission, or in accordance with an inter-governmental agreement. It follows that the United States must make acceptable arrangements for north channel excavations, or other compensatory works, as otherwise the excavations in the south channel would materially affect the levels and flows on the Canadian side.

4. Prior to the exposition of this new legal opinion, the United States Government made the suggestion that if Canada were to engage not to construct a canal and locks on the Canadian side at Cornwall without United States consent, the United States approval for the 27-foot north channel excavations would be forthcoming now, although in this case the approval would be contingent on Canada not including the costs of the additional north channel works in the toll base. It appeared from this suggestion that Mr. Brucker was attempting to secure now a Canadian commitment which he failed to obtain in the 1954

negotiations, i.e., an arrangement whereby Canada could not complete the all-Canadian seaway without obtaining explicit United States consent. There is no more reason to agree now to this proposal than there was in 1954.

5. It is becoming clear, as a result of these discussions, that the United States Government is unwilling to conclude a new formal agreement which would include provision for 27-foot excavations in the north channel. We have been concerned, therefore, to ascertain the extent to which existing agreements may be interpreted to include approval for these excavations. By the 1952 exchange of notes, the Canadian Government "with parliamentary approval committed itself to provide and maintain whatever additional works may be required to allow uninterrupted 27-foot navigation between Lake Erie and the port of Montreal". In its reply, the United States Government expressed approval of these arrangements. By the 1954 exchange of notes, Canada was relieved of its obligation "to provide *forthwith* the navigation works in the general vicinity of Barnhart Island on Canadian territory". At the same time, the Government expressed its intention to complete 27-foot navigation works on the Canadian side "if and when it considers that parallel facilities are required to accommodate existing or potential traffic", after consultation with the United States Government. The approval given in the 1952 agreement to Canadian navigation works in this area is thus still valid, subject to the consultation requirement.

6. Although the existing agreements give approval for the remaining navigation works necessary for an all-Canadian seaway, there remains the Boundary Waters Treaty limitation on that part of the excavations in the north Cornwall channel which might materially affect levels and flows on the United States side (part of the north channel excavations would have such an effect, and part would not). In the absence of an intergovernmental agreement or approval by the International Joint Commission, Canada is obliged to arrange compensatory dredging or other works to ensure that the levels and flows on the United States side are not materially affected. Canada has thus in this matter the same limitations as the United States has in regard to south channel dredging. The question of 27-foot excavations in the north channel has been under discussion between the two governments since February, 1956, and thus the Canadian obligation to consult the United States before undertaking these works has been discharged.

7. While a new formal agreement which would meet our conditions appears at this time to be most unlikely, it must be borne in mind that on July 18, nearly two months before I last met Mr. Brucker, the two seaway entities made suitable arrangements at a meeting of engineers for apportioning the costs of the dredging, and worked out the broad lines of a package deal. Under the package deal, Canada would do all the dredging in the north channel which is exclusively in Canadian territory and a portion in the south channel, which straddles the international boundary. Under these arrangements the requirements of the Boundary Waters Treaty concerning the levels and flows of the river would be met. An oral understanding might be reached between the two seaway entities that the July 18 arrangements would not be embodied in a formal agreement, but that each seaway entity would carry out its undertaking and pay for the dredging comprised in its share of the package.

8. The financial part of the arrangement involves expenditure by each government of $11.7 million ($17.7 million less $6 million which is one-half of the contribution from the two power entities in respect of the benefits they will receive from the dredging). Although the contributions of the two governments appear to be equal, Canada would pay some $3 million more than she would have paid under the precise terms of the Cabinet decision of February 23, because two new items which total about $6 million and which would other-

wise have been paid by the U.S. Seaway Development Corporation, were included in the package and have been added to the United States total.

9. Another new development is of interest. Early in September, the United States Seaway Development Corporation called for tenders, to be opened October 10, for the excavation of the Grass River Lock entrance, a part of the south channel works which would not affect the levels and flows on the Canadian side of the boundary. This dredging was part of the "package" discussed at the engineers' meeting on July 18, and it was the Canadian understanding that no part would be begun until the whole question of Cornwall Island dredging was settled. This new United States action calls the July arrangements into question and should not be allowed to go unnoticed.

10. The undersigned, with the concurrence of the Secretary of State for External Affairs, therefore recommends:

(1) That the St. Lawrence Seaway Authority be authorized to proceed with that part of the north channel excavations which would not materially affect levels and flows on the United States side of the boundary, and thus would not require compensatory works;

(2) That, with respect to those excavations in either the north or south channels which would materially affect levels and flows on the opposite side of the boundary and thus would require compensatory works, a further attempt be made to conclude a formal agreement with the United States or an understanding to proceed on the basis of the July 18 engineering arrangements; if neither of these courses proves possible, and if the United States proceeds with south channel excavations which materially affect levels and flows on the Canadian side, the St. Lawrence Seaway Authority should concurrently undertake north channel excavations, remaining ready to carry out its part of the engineering arrangements of July 18, 1956;

(3) That approval be given for the financial obligations involved in the engineering arrangements of July 18, 1956.[124]

GEORGE C. MARLER

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189. PCO/W-10-1-D

Note du ministre des Transports

Memorandum by Minister of Transport

PRIVATE AND CONFIDENTIAL Ottawa, October 11, 1956

MEMORANDUM OF CONVERSATION WITH THE HONOURABLE WILBER M. BRUCKER, SECRETARY OF THE U.S. ARMY, CONCERNING THE PROPOSED CHANNEL DREDGING TO BE DONE AT CORNWALL

I opened the discussion with Mr. Brucker by informing him that at its meeting on Wednesday, October 3rd, the Cabinet had authorized the St. Lawrence Seaway Authority to call for tenders for a small section of dredging in the channel north of Cornwall Island (coloured blue on the plan showing the allocation of the dredging work) in the expectation that the Saint Lawrence Seaway Development Corporation would more or less simultaneously call for tenders for the work of (a) dredging the entrance to the Grass River Lock, and (b) erecting the training dike at the south end of Polleys Gut. I also told Mr. Brucker that the Cabinet had given the Seaway Authority the necessary authorization to enable it to incur the expenditures for the work which was allocated to it under the agreed allocation of July 18th.

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[124] Ces trois recommandations ont été approuvées par le Cabinet le 3 octobre 1956.
These three recommendations were approved by Cabinet on October 3, 1956.

I also informed Mr. Brucker that the Cabinet had authorized me to suggest to him that a formal agreement be made between our two countries to implement the agreed allocation of work of July 18th, but that if for any reason the making of a formal or written agreement presented difficulties, it would be perfectly agreeable to us if, by common consent and without a written agreement, each of the two entities — the Seaway Authority and the Seaway Development Corporation — simply proceeded simultaneously to carry out the work covered by the allocation of July 18th.

This led Mr. Brucker to a brief review of the two points made by the U.S. Attorney General, which were in substance that the United States required no further consent from Canada to carry out the requisite dredging in the south channel in order to provide an entrance to the Grass River Lock and, likewise without Canadian consent, to carry out the compensatory dredging in the north channel.

I told Mr. Brucker that while I fully understood the U.S. position, that in our view the 1952, 1954 and 1955 notes and letters did not override the provisions of the Boundary Waters Treaty and that it was our view that (a) if Canada, pursuant to the 1952 notes, had undertaken the building of an all-Canadian seaway, it would have considered that United States consent was requisite to the carrying out in United States territory of any compensatory dredging that might be necessitated by the all-Canadian seaway if it disturbed the distribution or the flow of the river at any point, and (b) that if the United States, pursuant to the 1954 and 1955 notes, carried out dredging in the south channel which would disturb the distribution or the flow of the water, Canadian consent would be required as to the manner and place in which any compensatory dredging in Canadian territory would be carried out.

This, of course, made it perfectly clear that there was a fundamental difference in viewpoint between us but that I hoped that a difference of opinion as to the interpretation of the notes would not interfere with our reaching a satisfactory conclusion. I emphasized that I saw no reason for us to pay too much attention to the legal arguments provided that we could come to an understanding as to the carrying out of the work according to our wishes.

I thought it opportune to emphasize to Mr. Brucker that if the U.S. believes that an implicit consent applied to the 1954 note by which the United States obtained Canadian consent to the building of the American locks at Barnhart Island, Canada, whose position for the future had been made perfectly clear in the 1954 notes, had the right to dredge the navigation channel without U.S. consent, though this was not in line with the opinion of the Legal Division of External Affairs, which believed that the consent of the two countries was required and that each needed the consent of the other for the dredging works which it was proposed to carry out around Cornwall Island.

I then came back to the question of the form of an agreement. I suggested to Mr. Brucker that we consider that the requisite consents had already been given and that we should proceed on the basis that when the Seaway Development Corporation called for tenders for the south channel dredging (coloured brown) the St. Lawrence Seaway Authority would immediately after call for tenders on the north and south channel dredging (coloured red).

At this point, Mr. Brucker referred to Paragraph 3 of the Attorney General's opinion which precluded him and the Administration from now making any formal agreement. I told him that we would not attempt to express an opinion as to the interpretation of a U.S.

public law, but that I hoped that the expedient of merely proceeding without a formal written agreement would enable the U.S. Administration to overcome the difficulties which the Attorney General's opinion created. Mr. Brucker said that he would have to give that careful consideration and that he was not free to commit the Administration even orally.

Mr. Brucker referred to the paragraph of Mr. Pearson's letter to Mr. Merchant as to the excess of the cost of the navigation channel over the cost of purely compensatory works and I told Mr. Brucker that if this were the only obstacle to a complete agreement between us I would recommend to the Government that we agree that the extra cost be not included in the toll base, though I pointed out that we would much prefer to deal with all questions concerning the toll base at a later date. In our discussion, however, Mr. Brucker did not seem to attach a great deal of importance to this point, though conceivably it may become an issue before the matter is settled.

Mr. Brucker told me that it would be necessary for him to discuss the matter with higher authority and that he would talk to Mr. Wilson on the subject and that quite possibly it would have to be settled by the President himself. I said that we attached a great deal of importance to the question and that Mr. Howe had expressed his willingness to talk to Mr. Wilson about the matter and that in turn the Prime Minister had said that, if necessary, he would be prepared to take it up with the President himself because of the importance of the issue so far as Canada was concerned.

The meeting concluded with Mr. Brucker promising that he would directly or indirectly communicate with me within the next ten days.

GEORGE C. MARLER

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190. DEA/1268-AD-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1992 Washington, November 2, 1956

CONFIDENTIAL

Reference: Our Tel 1714 Sep 20.†

ST. LAWRENCE POWER PROJECT: LEGAL REDRESS

Today the State Department presented to us an aide mémoire on this subject which is in reply to the aide mémoire† we left with them on August 8/56. The aide mémoire we received today is dated October 26 and it has as an enclosure a revised statement of the USA proposal for inclusion in an amendment to the International Joint Commission's Order of Approval of October 29, 1952, a section dealing with legal redress. The texts of the USA aide mémoire and its enclosure are given in our immediately following telegram.

2. In their oral comments the State Department said that they wished to stress that the purpose of their proposal was not, repeat not, to invest the International Joint Commission with functions which it does not already possess. The State Department regard their proposal as an effort to set out clearly in writing the existing responsibilities of the International Joint Commission under the terms of the Boundary Waters Treaty of 1909. They said that

the purpose of their proposal was to overcome the adverse "psychological effects" which had been created among property owners because of the absence from the Commission's Order of October 1952 of a clear statement relating to legal redress.

3. We were given to understand by the State Department that Representative Keating's office in all probability has already been informed of the existence of their latest aide mémoire.[125]

[A.D.P.] HEENEY

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191. DEA/1268-AD-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1993 Washington, November 2, 1956

CONFIDENTIAL
Reference: Our Tel 1992 Nov 2.

ST. LAWRENCE POWER PROJECT: LEGAL REDRESS

Following are texts of aide mémoire and its enclosure: Text begins.

On August 8/56 officers of the Canadian Embassy called at the Department of State and left an aide mémoire of that date setting forth reasons for the conclusion of the Canadian Government that it did not view with favor the proposal for dealing with complaints of shore owners respecting the level of Lake Ontario set forth in the communication of the Department of State of February 9/56.

The views set forth in the aide mémoire have been examined with interest and it is regretted that the intent of the paragraph proposed for inclusion in an amendment to the Commission's Order of Approval of October 29, 1952, seems to have been misunderstood by the Canadian Government, as its interpretation of the language which was proposed would appear to go beyond that contemplated by the USA Government.

With a view to clarifying the intent of the USA, there is enclosed a revised statement of this proposal which it is hoped will remove the grounds for objection. In the event that the enclosed draft is not acceptable to the Canadian Government, it is hoped that language will be suggested which is considered satisfactory from the point of view of the Canadian authorities.

The Canadian Government is, of course, fully aware of the uneasiness and concern which has been expressed by property owners with respect to the arrangements for legal redress which exist in connection with the construction of the St. Lawrence projects. Therefore, it is desired to stress once again the need for finding a means whereby this problem may be resolved as otherwise it is a basis for continuing and increasing difficulty in dealing with further developments in connection with the St. Lawrence projects.

Enclosure:

Draft of revised proposal concerning complaints of Lake Ontario shore owners.

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[125] Voir/See Volume 18, Document 796.

"Without limiting any remedy otherwise available for property damage allegedly caused by the construction, maintenance or operation of any facility authorized by the Commission's Orders of October 29, 1952 and July 2/56, the International Joint Commission will, if satisfied that the property owner has substantial grounds for complaint, conduct such hearings as it may deem appropriate and necessary and obtain such evidence as it may require relating to the cause of the complaint in accordance with Articles VIII and XII of the Treaty of January 11, 1909, to enable it to make a determination as to the cause of any injury or damage that may be found to have occurred and to take such remedial action, if any, as may be deemed appropriate in the circumstances." Text ends.

[A.D.P.] HEENEY

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192. DEA/1268-AD-40

Note de la Direction de l'Amérique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from American Division
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], November 21, 1956

CORNWALL ISLAND DREDGING

On November 7, the United States Embassy delivered a note† to the Department regarding the question of dredging north and south of Cornwall Island. This note indicates that the United States Government recognizes the *de facto* situation which results from the Canadian decision to dredge a twenty-seven foot channel north of Cornwall Island, but makes the allegation that the Canadian decision is "not in accord with" the exchange of notes of August 17, 1954 and other arrangements on the St. Lawrence projects. It also states that "the United States reserves all its rights to protect its interests in this matter".

2. Consideration has been given in the Interdepartmental Committee on St. Lawrence matters to the reply which might be sent to this note, and a draft note† (copy attached) has been sent to Mr. Marler for approval. If he and his colleagues on the Cabinet St. Lawrence Committee agree on this text, it will be submitted to the Minister, or in his absence to yourself, for signature.

3. The Interdepartmental Committee has also agreed on the text of a press release which would be issued a week after the presentation of our note. It is anticipated that the notes would be released to the press simultaneously in Ottawa and Washington, but with different governmental statements appended. The text of our release is attached in the draft form in which it is now before Mr. Marler for approval.[126]

4. When consideration of these drafts had reached an advanced stage, we received a suggestion from the Ambassador in Washington (Telegram No. 2107,† attached) that the State Department might be asked to withdraw its note and replace it with one drafted in

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[126] M. Pearson et les autres membres du comité du Cabinet sur le fleuve Saint-Laurent ont approuvé l'ébauche de la note sans y apporter de changements. Pour prendre connaissance de l'échange de notes et du texte du communiqué, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 9, N° 2, février 1957, pp. 74 à 76.

The draft note was approved by Pearson and the other members of the Cabinet Committee on the St. Lawrence without change. For the exchange of notes and the text of the press release, see Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 2, February 1957, pp. 74-76.

milder language. The sharpness of the U.S. note had elicited a similar reaction from officers of the Department when it was first received, but it was considered unlikely that the U.S. authorities, having come quite a distance in accepting Canadian policy on this question, would be willing to make further concessions as regards language. The Embassy has informed us that the U.S. note was sent after a meeting of the Secretaries of State, Defence, the Army and the Attorney-General. An attempt to get the Americans to revise their note now might call forth an adverse reaction, and even upset the "agreement to disagree" which has been reached. Moreover, officials in Ottawa are not as concerned as the Embassy about the unfortunate consequences of publishing the U.S. note and our reply. Mr. Heeney's suggestion has, however, been submitted to Mr. Marler for consideration, with the comment that the State Department is unlikely to be willing to replace its note, especially some two weeks after it was sent.

G.R. HARMAN

SECTION D

COTON
COTTON

193. DEA/11049-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], July 18, 1956

UNITED STATES COTTON SUBSIDIES

I attach a draft of a memorandum† to Cabinet on new United States policies on cotton subsidies which are to come into effect on August 1. I understand Mr. Harris, with the concurrence of Mr. Howe and Dr. McCann, intends to circulate this memorandum for a Cabinet discussion of the matter at the special Cabinet meeting on the morning of Friday, July 20, and that all three Ministers have agreed to it in its present form.

2. United States officials have indicated both in Ottawa and in Washington that they consider Canadian anti-dumping duties should not be levied on imports of subsidized United States cotton manufactures. It is considered that the Canadian position should be explained to the State Department, and two Aide Mémoires have been drafted interdepartmentally for presentation in Washington: one indicating certain objections to the new United States policies because of their probable effect on world trading and on common defence objectives; and the other describing our position regarding the application of Canadian anti-dumping duties on imports of subsidized United States cotton manufactures. Copies of these draft Aide Mémoires are attached, and I should be grateful to know whether you agree these should be presented in Washington on Friday afternoon, provided Cabinet approves the Canadian position as stated in the Memorandum.[127]

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[127] Note marginale :/Marginal Note:
OK. Cabinet approved of memorandum this afternoon. July 23 [L.B. Pearson]

3. The draft memorandum to Cabinet and the drafts of the two Aide Mémoires have been thoroughly discussed by officials of this Department, the Bank of Canada, and the Departments of Finance, Trade and Commerce and National Revenue. Mr. Couillard from the Embassy in Washington was present at a discussion of these drafts on July 13, and the Canadian position is being recommended by officials in the full understanding that there may be a fairly vigorous reaction on the part of the United States. It was considered that because of the chances of increasing competition from cheaper cotton goods imports from third countries, future developments should be carefully watched and further measures to protect the position of Canadian cotton manufactures might have to be considered.

J. L[ÉGER]

[PIÈCE JOINTE 1/ENCLOSURE 1]

Projet d'un aide-mémoire

Draft Aide Mémoire

CONFIDENTIAL [Ottawa], July 16, 1956

THE BROAD ASPECTS OF U.S. COTTON SUBSIDIES

The Canadian Government wishes to refer to the policies which are being adopted by the United States to subsidize exports of raw cotton and exports of cotton textiles. The Canadian Government has given careful study to the information which has become available regarding plans for a two-price system for the disposal of cotton and related measures of subsidization of exported textiles. Concern is felt in Canada about the consequences of these policies from two points of view. First, their effect will be to upset and disorganize world production and trade in raw cotton and in cotton textiles, in direct ratio to the vigour with which the measures are applied. Difficulties will predictably be increased for numerous countries overseas. Strains will therefore be imposed upon various international undertakings and agreements in which the United States, Canada and others are co-partners, not only in the field of trade and finance but in the fields of security and defence as well. The second of these concerns pertains to particular problems which these policies create for the administration of Canadian laws and it is being dealt with in a separate Note (aide-mémoire).

2. The Canadian Government has for some time been sympathetically aware of the accumulation of surplus cotton in the United States, of the problems attendant thereto, and the difficulties which have been encountered in finding solutions to these problems. The Canadians Government is equally aware, however, of the difficult problems of numerous countries, which are producers of cotton or cotton textiles, and which will consider that they are being injured by these policies of surplus disposal and subsidy. The United States Government must also have felt concern on this score. Included amongst these countries, in addition to ones which are well disposed on matters of defence and security, are others which are uncommitted to the objectives which are held in common by the policies of United States, Canada and others in the Western World. While the Canadian Government understands that final decisions have been made in the United States to implement these new policies, it would express the confident hope in the light of all the circumstances that the administration of these policies will be tempered by recognition of the problems of others which are likely to be adversely affected.

3. Referring to the payments which will be made to United States exporters of cotton textiles, the text of the General Agreement on Tariffs and Trade has been carefully

examined and reconsideration has also been given to what should properly be understood by the concept of a governmental subsidy. As a result of this examination the Canadian Government concludes that these payments must be regarded as subsidies even though they are referred to as equalization payments. The Canadian Government is concerned, therefore, about the implications of these policies of assistance to exports for the revised provisions of the General Agreement on Tariffs and Trade, which were negotiated in 1954-55. The apparent conflict between these new policies and the revised form of Article XVI of the General Agreement gives rise to uncertainties regarding the status of the new articles and the plans of the United States in this connection.

4. While, of course, affected by the measures applicable to exported cotton textiles, Canada is not itself a producer of raw cotton. Nevertheless, the Canadian Government cannot remain indifferent to the consequences for the world overseas of the two-price system for raw cotton. The Canadian Government fully understands and appreciates the motives which have led the United States to consult the interests of other countries and often to take these interests into account in other connections. It hopes that similar considerations will be kept fully in mind in this new context.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Projet d'un aide-mémoire

Draft Aide Mémoire

CONFIDENTIAL [Ottawa], July 16, 1956

THE IMPACT ON CANADA OF U.S. COTTON SUBSIDIES

In an accompanying aide mémoire the Canadian Government has set forth its general concern regarding the broad aspects of the newly adopted policy of the Government of the United States in selling raw cotton abroad at a subsidized price and instituting a related subsidy on the cotton content of exported manufactures containing cotton. In this aide mémoire the Canadian Government makes special reference to the direct impact of these actions on Canada.

2. The actions which the U.S. Government proposes to take will, as has already been noted, be certain to cause repercussions in the markets for raw cotton and cotton manufactures all around the world. But the nature and extent of these repercussions is quite uncertain: it is not yet known how far or how rapidly the U.S. Administration is expecting to proceed in carrying out the intention of Congress to recapture certain markets for raw cotton; it is not yet known how far and in what ways U.S. exporters of cotton fabrics will make use of the subsidy provisions relating to exports of manufactures; and it is not yet known how the markets all around the world, both in raw cotton and cotton manufactures, will react to these new circumstances. All that can be said with certainty is that a period of unusual stress and difficulty may be anticipated.

3. Canadian manufacturers of cotton textiles, like Canadian manufacturers of other products, are afforded a certain protection by the Canadian tariff. This protection consists of the particular rates of duty provided for particular classes of goods, supplemented by an anti-dumping duty (Section 6 of the Customs Tariff) which comes into effect when, and to the extent that, goods are sold for export to Canada at prices below their fair market value within the exporting country. It will be noted that, in Canadian law, the definition of dumping is in close accord with provisions of the GATT.

4. Under a provision of the Customs Tariff the Government may suspend the anti-dumping provisions of the law. This provision has been used on very few occasions. When it has been used its purpose has been either to mitigate shortages in Canada or to facilitate imports into Canada from countries in balance-of-payments difficulties. Imports of cotton goods from the United States do not fall into either of these categories. Accordingly, any suspension or exception in favour of these goods would constitute a major departure from Canadian practices, well established over many decades, and its suspension under circumstances of great uncertainty in which a Canadian industry is threatened with material injury could not be defended.

5. Canadian manufacturers, in all sorts of lines, rightly regard the anti-dumping duty as an essential element in the tariff protection afforded to them. Most of them are, by American standards or even by European standards, relatively small operators with relatively high costs per unit and continent-wide transportation and selling costs to meet. Canadian tariff rates are, in comparison with those of many countries, moderate if not low, and if imports were permitted to be valued at prices even lower than the prices prevailing for home consumption in much larger markets abroad, Canadian manufacturers would at any time be liable to suffer material injury. Indeed, if the Canadian anti-dumping duty did not exist in its present form, many Canadian tariff rates would have to be a great deal higher than they are at present.

6. The Canadian cotton textile industry is no exception to the general statements made above regarding the position of Canadian manufacturers, indeed it may be taken as a prime example of them. Canadian textile firms are smaller than comparable firms in the U.S.A., their volume of production (especially in so-called "style goods") is much less, their costs per unit are higher, and their sales must be made in a relatively small market scattered across the whole continent. Nevertheless Canadian tariffs on imports of cotton textiles are moderate by any standards, indeed the Canadian industry claims that there is no cotton textile industry anywhere in the world with less protection. The anti-dumping duty is an essential and established element in that protection.

7. The vulnerability of the Canadian cotton textile industry is illustrated by its experience since the war. During that period most Canadian industries have been rapidly expanding and greatly prospering. But the cotton textile industry has failed to expand and prosper. The Canadian consumption of cotton textiles has grown greatly — by about two-thirds of its pre-war level. But virtually the whole of this expanded consumption has been supplied from abroad. Imports from the United States have risen spectacularly. Before the war U.S. imports supplied less than 10% of Canadian consumption; recently they have been supplying nearly 40%. Despite these developments, the Canadian Government has resisted persistent requests that particular tariff rates, which for technical reasons actually give even less protection than before the war, should be raised and that the relevant "escape clause" provisions of the GATT should be invoked.

8. Considering the vulnerability of the Canadian cotton textile industry, considering the established position of the antidumping provisions of the tariff as an essential element in the tariff as a whole, and considering the fact that the proposed U.S. actions are bound to produce a period of unusual stress and difficulty throughout the world in markets for raw cotton and cotton manufactures, it is quite out of the question that the Canadian Government should forthwith suspend or modify the normal application of the anti-dumping duty. Accordingly the Canadian Government has decided that, at this time, no change will be made in the normal application of that duty.

9. At the same time, the Canadian Government has decided that, at this stage and pending clarification of the situation, it should not resort to its extensive powers to apply anti-subsidy duties under Section 6A of the Customs Tariff.

10. The Canadian Government intends to keep the situation under close scrutiny and to consider adaptations in its policy in the light of developing circumstances. If it appears, in the light of experience, that serious inequity is developing, this will be taken into account. Moreover, it is anticipated that textile industries situated overseas, receiving cheaper raw cotton as a result of the U.S. actions, will be able to compete even more effectively than formerly for a share of the North American market. This intensified competition will have to be kept under continuous review.

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194. DEA/11049-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1375 Washington, July 25, 1956

CONFIDENTIAL

Reference: Your tel E-1147 Jul 24.†

USA COTTON POLICIES

As mentioned to Stoner this morning, on the telephone, we presented the aide mémoires to Thibodeaux of the State Department, this morning. We had asked to see Prochnow but as he was unable to see us today he suggested that we should pass this message to Thibodeaux.

2. The discussion following the presentation of the notes was most amicable. It was evident that the State Department were disappointed when they found that we were not going to suspend the application of the antidumping duties, but at the same time they did not over emphasize the difficulties that this action by Canada would propose for them.

3. In commenting on the first memorandum, they were quick to reassure us that they were thoroughly in agreement with USA that it was in their own interest that they should administer their raw cotton subsidy plan in such a way as to cause the least possible disturbance to world markets, and particularly to the economy of other cotton producing countries. They have already had discussions with cotton producing countries and have evidently made it plain to them that they do not intend to break world prices but that they are under certain directives from the Congress which they cannot ignore. Thus they reason that the effect of their actions on world cotton prices will depend very much on what other cotton producers do. If other raw cotton producers become panicky and force their cotton onto the world markets in such a way as to make it impossible for the USA to sell cotton, then the USA would have no alternative other than to follow downward in order to ensure that they move enough cotton to give them what might be regarded as a reasonable share of the world's market. They emphasized that the instructions from the Congress give to the Secretary of Agriculture considerable leeway, and that there is no firm target for exports that they must aim at. In other words, the State Department are thoroughly in sympathy with the concern expressed by us in our first memorandum, over the effect of their policies

on other countries, and they will do everything possible to avoid starting a price war, or any undue disturbance in the world market.

4. The second point that was made by Thibodeaux was that the USA will not accept the line of argument that is set out in paragraph 3 of our first memorandum, that the payments must be regarded as subsidies. The administration regards these payments as equalization payments and, in a release published today announcing the amount of the subsidy, they are carefully referred to as equalization payments throughout. Reference was made to the mounting volume of imports of textiles into the USA and the increasing difficulty the USA industry is meeting abroad from competition from other countries whose industries have been able to obtain cotton at prices considerably below the USA domestic prices of cotton. They referred to the bill introduced by Senator Smith of Massachusetts, that would have enabled the domestic cotton manufacturers to buy cotton in the domestic market at prices sufficiently low to enable the industry to compete in textile manufactures in the world's markets. Fortunately for all concerned, this bill did not get beyond the hearing stage in the Finance Committee of the Senate, but it is indicative, they pointed out, of the pressures that they are faced with.

5. Nor do the State Department appear to be concerned over their ability to justify their action under Article XVI of the GATT. Their line of argument here is that this is not a subsidy on manufactured products, but a subsidy on the cotton content of manufactured products. They point out that the way in which the subsidy is applied is not based on the finished product but only on the cotton content of that product.

6. They expressed considerable satisfaction at the statement contained in paragraph 9 of our second memorandum concerning our decision not to apply at this time the antisubsidy duties under Section 6(A) of the Customs Tariff.

7. In discussing the effect of the Canadian antidumping duties, they referred to the difficulties that had been created for the domestic mills by the amendment to the Canadian antidumping duties providing for a consideration of price levels going back over six months. They seemed to think that this had created a real hardship for USA exports to Canada, although we did not hesitate to point out that they have no real reason to complain about their level of exports to Canada since the war. They went on to suggest that if at some future time the prices offered to Canada by domestic mills were found to be below the level of prices in the USA over the previous six months, it would be impossible to tell if the reason for the lower prices rested in the subsidy or in some other factors. We simply replied to this remark to the effect that this was an illustration of the kind of uncertainties which made it unrealistic to expect us to lower our guard and to suspend the application of the antidumping duties.

[G.P. DE T.] GLAZEBROOK

SECTION E

LA SOCIÉTÉ PREMIUM IRON ORES LIMITED
PREMIUM IRON ORES LIMITED

195. DEA/2361-A-40

Note du sous-secrétaire d'État suppléant aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Deputy Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], May 15, 1956

COMPLAINT OF CONSOLIDATED PREMIUM IRON ORES LIMITED REGARDING UNITED STATES TAXES

You received this morning the following representatives of this company, D.J. Burchell, Q.C. of Halifax, C.F. Elliott, Q.C. and D.K. MacTavish, Q.C. of Ottawa. Also present was Mr. Benidickson, M.P., Parliamentary Assistant to the Minister of Finance.

2. Mr. Burchell handed to you two letters addressed to you — one dated May 11 from the Vice-President of the company and the other dated May 14† from Mr. Burchell. The letter from the Vice-President asks the Canadian Government to protest against the attempt by the United States tax authorities to levy certain taxes against the company, which I shall hereafter refer to as Premium. Mr. Burchell's letter asks you specifically to ask the United States Government for a conference on this matter pursuant to Articles XIII and XVIII of the Double Taxation Convention of 1942 (Treaty Series 1942, No. 2), Premium would like you to take this action almost immediately, in the hope that it would have the result of causing the United States authorities to delay the opening of the trial of their court action against Premium, which is scheduled to start on May 28 in the United States Court of Tax Appeals.

3. From what these gentlemen told you, and from what they told me after you had to leave, I gather that they are not asserting that the United States taxing effort constitutes a breach of the 1942 Convention. They do argue that it is an unfair and unreasonable action against a Canadian company, in view of the history of the transaction which the letters explain. They also argue that, if the United States Government succeeds in enforcing the claim for the proposed taxes on Premium, this will lead to similar unjustifiable proceedings against other Canadian companies, which would or could have a serious effect on Canadian industry especially in the mining field.

4. I understand that the Minister of National Revenue, Dr. McCann, did once intervene at the request of Premium to the extent of asking the United States Commissioner of Internal Revenue to postpone the trial of the case in order to allow time for the Department of National Revenue to study their grievance. This was referred to in the House of Commons on February 24, 1956.[128] I gather from what the representatives of Premium said today that subsequently Dr. McCann decided, on the advice of his Deputy Minister, that he would not make any further representation to the Commissioner of Internal Revenue. I should point out that the Convention itself specifies the Minister of National Revenue and the Commis-

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[128] Voir Canada, Chambre des Communes, *Débats*, 1956, volume II, p. 1565.
See Canada, House of Commons, *Debates*, 1956, Volume II, p. 1513.

sioner as the "competent authorities" who may ask to confer with each other on problems arising under the Convention. (see paragraph 4 of Protocol).

5. According to Mr. Elliott the United States Secretary of the Treasury has legal authority, even after a court case has been started, to withdraw or compromise a tax claim of this kind. I got the impression that, although Premium would like the Canadian Government to take action immediately in order that the trial on May 28 may be postponed again, Premium would be glad to have Canadian Government intervention even after the trial has started. It is obvious that the trial and possible appeals from it will last a long time.

6. I suggest that you might consult the Minister of National Revenue and the Minister of Trade and Commerce in the first instance. If you then considered that there is a case to be made for Canadian Government intervention through the diplomatic channel, you might wish to have the matter considered in Cabinet. I suggest Mr. Howe in addition to Dr. McCann because Mr. Howe as Minister of Munitions and Supplies would have known all about the Premium and Steep Rock project during the war. Also, as Minister of Trade and Commerce, he might be in a position to assess the validity of the argument by the representatives of Premium that many other important Canadian companies will be badly hurt if the United States Government succeeds in enforcing the present tax claim against Premium.

7. After you left the meeting Mr. Burchell gave me the annexed copy of the 1943 agreement between Steep Rock and Premium.†

8. Annexed for signature are letters† to Dr. McCann and Mr. Howe.[129]

M.H. W[ERSHOF]
for Deputy Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Le vice-président de la société
Consolidated Premium Iron Ores Limited
au secrétaire d'État aux Affaires extérieures

Vice-President of Consolidated Premium Iron Ores Limited
to Secretary of State for External Affairs

Toronto, May 11, 1956

Dear Mr. Pearson,

Consolidated Premium Iron Ores Limited, a Company incorporated under the laws of the Province of Ontario with Head Office at the City of Toronto, hereby requests that the Canadian government protest against the attempt by the United States taxing authorities to levy taxes against income falsely alleged to have been earned by Premium.

Premium was organized under the laws of Ontario in 1942 for the purpose of assisting in the financing, development and sales of Steep Rock Iron Mines Limited. Its officers and directors were all Canadian citizens. While owned largely by United States citizens, it was required by the Canadian authorities to be organized as a Canadian corporation so that its income would be taxable in Canada, and its transactions subject to Canadian control.

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[129] Notes marginales :/Marginal Notes:
Should I send copies to Mr. Benidickson? [M. Wershof]
Yes L.B. P[earson]

On January 15, 1943, Premium entered into a contract with Steep Rock Iron Mines Limited, a Canadian Corporation, whereby Premium agreed among other things to:

1. Guarantee the sale of 10 million tons of iron ore in a ten year period, and not less than 500,000 tons in each year;

2. Provide $1,000,000 of additional cash to Steep Rock if the financing already arranged proved insufficient to complete the development. (This amount was required and Premium furnished it plus additional large sums);

3. Arrange for shipping, collections and similar matters in connection with the sale and delivery of the iron ore.

The contract included a subscription by Premium for 1,437,500 shares of Steep Rock Iron Mines Limited capital stock at a nominal price.

The United States is attempting to levy a tax on the difference between the nominal price and the quoted market price of similar shares. The following history of the transaction will demonstrate the injustice and the illegality of this attempt.

At the time this contract was made, the Second World War was at its height, the visible supply of iron ore was dangerously low, and both the United States and Canadian governments urged all possible speed in the Steep Rock development, and co-operated wholeheartedly with Steep Rock and Premium in the development.

The Canadian government advanced the necessary funds to the Canadian National Railways to provide railroad and dock facilities and a subsidy on the freight rates during the first years of delivery of the ore.

The Ontario government provided the power facilities for the development and operation of the property.

The United States government through the Reconstruction Finance Corporation made a loan of $5,000,000 to Steep Rock for the development.

The arrangement covered by this contract was submitted to various departments of our government, including the Department of National Defence, the Department of Commerce, the Department of Finance, the Department of Transport, the Department of Munitions and Supply, and the Department of External Affairs, and the contract itself was specifically approved by the Foreign Exchange Control Board and the Department of National Revenue.

These Departments co-operated to implement performance of the contract and the Department of National Revenue specifically ruled that no taxable income would result from the receipt by Premium of these shares of Steep Rock stock.

This contract between Steep Rock and Premium was submitted to and approved by the Reconstruction Finance Corporation.

Otis & Co., a United States banking firm, provided $2,250,000 of junior money to Steep Rock and in connection therewith filed this contract with the Securities and Exchange Commission which was open for public inspection and given wide circulation.

Premium undertook to finance and develop the Steep Rock properties after numerous steel and mining companies in both the United States and Canada rejected it as impossible. The U.S. and Canada governments expressed their pleasure when Premium agreed to undertake it because of the crisis caused by the shortage of iron ore, and co-operated in many ways to assist in the development. The development proved to be a great success and means much to our Canadian economy.

In 1953, ten years after the contract was executed, delivered to the various governmental authorities in Canada and the United States, and made public, and after the success of the project was fully demonstrated, the United States taxing authorities sought to levy a tax against Premium on the spread between the nominal price and the then quoted market on similar shares which, with penalties and interest, amount to more than $3,000,000. The tax claimed amounted to more than the total market value of the shares which Premium was entitled to retain.

The United States taxing authorities are also attempting to tax the two major stockholders of Premium, viz., Cyrus S. Eaton and Wm. R. Daley, on the identical alleged income arising out of the same transaction. This assessment against these individuals occurred nearly one and one-half years after the attempted assessment against Premium. While ordinarily Canada would not interfere in the assessment of taxes by the United States government against United States citizens, however unjust, the assessment is so obviously an attempt to force a settlement by Premium of this improper tax claim that it is at least shocking to Canadians if not a matter for representations by our government to the United States.

If this attempt by the United States to tax this transaction is successful, it will pave the way for many attacks against Canadian corporations which have been organized with the aid of U.S. capital to develop the natural resources of Canada. Certainly, it will deter future participation by U.S. capital in our development.

We regard this action by the United States government as an unfriendly act and it certainly is one which will not improve relations which are so necessary between our countries.

We will not attempt to explain the motives behind this unusual action by the United States government. We do, however, most sincerely and vigorously protest against this arrogant attempt to subject us to the jurisdiction of the United States tax authorities and their courts, and we respectfully request your assistance in bringing this to the attention of the United States government so that an end will be put to this continued harassment and unfair publicity against our Company.

The enclosed editorials from various Canadian publications illustrate the indignation of the Canadian public in this matter.

Respectfully yours,
[D.O. MUNGOVAN]

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196. DEA/2361-A-40

Le ministre des Finances
au secrétaire d'État aux Affaires extérieures

Minister of Finance
to Secretary of State for External Affairs

CONFIDENTIAL Ottawa, May 23, 1956

My dear Colleague:

On May 17th. you sent me a confidential letter† dealing with the complaint of Consolidated Premium Iron Ores Limited against United States taxation. You enclosed a copy of your letter to Dr. McCann and Mr. Howe on this subject together with a copy of a letter, dated May 11th., which you received from Mr. Burchell setting forth the case for representations by the Canadian government to the United States government regarding their action.

It seems to me that the company has, to a considerable extent, overstated its case. For example, I cannot take too seriously the claim that if the United States government succeeds in enforcing this tax claim that other important Canadian companies will be similarly exposed. As I understand it, the United States claim is based entirely on the assertion that the Canadian company was actively carrying on business in the United States. If this is the case, then there is nothing unusual at all about the company's liability for tax on the profits earned in the United States. Our treaty with the United States, and with all other countries with whom we have agreements, recognizes this right of every country to tax profits earned in their country. Ordinarily as between Canada and the United States each allows its own resident companies to offset against its home tax — the tax paid to the other government on profits earned in that country.

It seems to me the company has no claim whatsoever for more than its first three years of operation. As I understand it Canada taxed the company from 1945 onward and now the United States assert a claim for tax for the same period. There is nothing wrong with this procedure. If the United States were able to establish a tax liability on profits earned in the United States, then by treaty we would allow an offset against the Canadian tax for the United States tax.

Where, it seems to me, the company has a fair case is in respect of its first three years of operation. As I understand it, the Steep Rock project was a matter of active interest on the part of our two governments, and that the United States government made a loan of $5,000,000 to the company in order to encourage the flow of iron ore from Canada to the United States. Canada granted the company a three year exemption (both Steep Rock and Premium). The company assumed (perhaps incorrectly) that it was operating in such a way that it was not liable for United States tax. The United States now claim a tax for these three years (as well as for all succeeding years). In particular the United States proposes to tax the value of the shares in Steep Rock which were sold to Premium for one cent a share (i.e. value in excess of one cent). Presumably the company is to be charged with having received this "money's worth" in consideration of the service of selling the output of Steep Rock. In addition it is to be taxed on its income in the form of a 2% commission on sales.

It seems to me that it may be properly argued that this stock transaction was an essential incentive for the company to go ahead with the project which was obviously desired by both governments. It can be claimed quite strongly, I think, that the company would never have proceeded with the project if they had known that the United States government would subsequently levy a tax on this financial benefit which constituted an important incentive for the company to proceed. It seems to me, therefore, that it would be quite appropriate for our government to argue with the United States government the unfairness of this subsequent action in attempting to tax away a large part of the financial advantage which was offered by our government and by Steep Rock as incentives for the company to proceed with the project.

I do not think there would be anything to be gained by a conference between officials nor, it seems to me, is the subject one which would need a high level conference. The case, as I see it, for complaint can be very simply stated as I have done above in a note presumably to the Secretary of the Treasury. Possibly, though, this should go direct from you to the

Secretary of State. A possible alternative might be a letter from either Dr. McCann or Mr. Howe to Mr. George Humphreys.[130]

Yours very truly,
W.E. HARRIS

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197. DEA/2361-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 989 Washington, May 25, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your Tel M-949 May 25/56.†

CONSOLIDATED PREMIUM IRON ORES LIMITED

Following our telephone conversations last evening I arranged to call this morning, May 26, on the Acting Secretary of State, Mr. Herbert Hoover, Jr. The Secretary and Under-Secretary of the Treasury, with whom I had first thought of communicating, are both out of town for the weekend.

2. As instructed I told Hoover that the purpose of my visit was to inform him that next week the Canadian Cabinet would be considering the claim which US tax authorities were pressing against the above company in respect of certain wartime operations. This I was doing immediately because the hearing in the US court of tax appeals was to proceed on Monday morning, May 28. I added that, in speaking to him, he would understand that the Canadian Government had, of course, no intention or desire to interfere with the processes of the US courts.

3. In describing, briefly, to Hoover the circumstances under which the Canadian and US Governments cooperated to encourage Steep Rock and Premium to expedite production of iron ore for the common war effort I made use of Mr. Harris' letter, quoted in your telegram under reference.

4. I said to Hoover that, at the moment, we were not making any representations, nor were we asking for any action on the part of the US Government. On instructions, however, I was drawing it to the attention of US authorities that this was a matter of importance upon which representations had been made to us of such a character that they would be considered by the Cabinet this coming week.

5. Hoover listened patiently to what I had to say and from his interjections made it obvious that he was well acquainted with the case. He said that the State Department would inform the Treasury immediately of our conversation, but did not suggest what effect, if any, this might have on the court proceedings on Monday.

6. Hoover then added that the circumstances in this case were very complicated. He hoped that before the Canadian Cabinet made any decision they would have before them the facts available to US authorities. In this connection he drew attention to the provision

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[130] Note marginale :/Marginal Note:
Referred to Mr. Heeney by telegram by Minister — most immediate. M. W[ershof]

of our tax convention which provided for direct contact between our fiscal authorities. It appeared to him that our taxation officials should get together at once.

7. Finally, Hoover made it quite clear that the Secretary of the Treasury himself was fully aware of the points at issue and he hinted, quite broadly, that the US Treasury would stand pretty firm, in spite of the many and varied pressures which had been brought to bear in many quarters.

[A.D.P.] HEENEY

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198. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], June 2, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce, Minister of Defence Production and Acting Minister of Transport (Mr. Howe),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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CONSOLIDATED PREMIUM IRON ORES LTD.; COMPLAINT AGAINST U.S. TAXATION

9. *The Secretary of State for External Affairs* explained that Premium Iron Ores Limited had been incorporated as a Canadian company in 1942 to assist in the sales made by Steep Rock Iron Mines Limited. As part of the financing arrangements, Premium had been sold nearly 1.5 million shares of Steep Rock at 1 cent per share, though the stock at the time was listed on the market at $1.67. This arrangement had been known to the Department of National Revenue which had said that no Canadian tax would be levied on the transaction. The U.S. taxing authorities now claimed that the difference in price of $1.66 was a profit to Premium, taxable in the United States because, in their opinion, Premium had a "permanent establishment" in the U.S. in 1943 (and subsequently), within the meaning of U.S. law and of the Double Taxation Convention between the two countries. It was also alleged in the claim that this profit was given for "services rendered in the U.S."

An assessment notice had been sent to Premium in Toronto in 1953 which had been appealed to the U.S. Court of Tax Appeals. The Deputy Minister of National Revenue had advised the U.S. Commissioner of Internal Revenue that Premium claimed it had no "permanent establishment" in the U.S. This was disputed. Subsequently, the U.S. Secretary of the Treasury was asked that the case be postponed so that it could be further discussed between officials of the two revenue departments. The case was, in fact, put over and was due to be heard on May 28th of this year.

On May 15th, Premium formally asked the government to make representations to the U.S. government for the withdrawal of the claim, amounting to approximately $3 million, and that similar representations be made on another claim against the two principal stockholders who were U.S. citizens residing in the U.S.

There was no doubt that the Department of National Revenue was entitled, under the tax convention, to discuss this or any other such case with the U.S. Commissioner of Internal Revenue, and there were sound arguments for and against intervening at this stage. The question to be decided was, should the government agree to Premium's request and, if so, what form should the representations take.

An explanatory memorandum had been circulated.

(Minister's memorandum, May 28, 1956 — Cab. Doc. 123-56†).

10. *Mr. Pearson* added that he had brought this matter forward in response to requests from several quarters. He had already instructed the Canadian Ambassador in Washington to tell the U.S. authorities that Canada had no desire to interfere with the ordinary U.S. judicial processes, but that there was considerable interest in the case here and that the matter was being considered by the Canadian government. Mr. Heeney had emphasized that both Canada and the U.S. had encouraged Steep Rock and Premium to undertake the production of iron ore to meet urgent war requirements.

11. *The Minister of National Revenue* referred to the number of representations made to him on the subject and to the fact that all had asserted strongly that, if Premium were taxed in both countries, there would be a breach of the convention. However, it was his view that no attempt should be made to interfere with the U.S. court proceedings.

12. *During the discussion* the following points emerged:

(a) The original transaction appeared to have been connected with a loan of $5 million to Steep Rock from the U.S. Reconstruction Finance Corporation. It would seem quite inadvisable to intervene in a case which had such a complicated history in the U.S.

(b) It was argued, on the other hand, that the government had an obligation, under the convention for the avoidance of double taxation, to protect the legitimate interests of Canadian companies and individuals. Premium and its principal shareholders had been able to convince opinion in some quarters, particularly in Nova Scotia, that the action by the U.S. was unjust and that the government should step in and help. At least intergovernmental discussions should be held.

(c) The U.S. State Department had proposed that the two taxing authorities should consult on the matter, even though some discussions had been held already. It might be advisable to follow up this suggestion, but it would be a mistake to make diplomatic representations while the case was before the U.S. courts.

(d) The main legal point at issue before the court was whether Premium had a "permanent establishment" in the United States. There was nothing Canada could do to settle this question, nor would there be anything that could ultimately be done, if it were decided by judicial process that Premium did have such an establishment. However, it might be useful to have an observer at the hearings to assess whether the outcome appeared to be in violation of the convention or not.

(e) Premium was not a bona fide mining company, yet it had been granted tax concessions for the first three years of its operations. This seemed to be a fairly loose interpretation of the regulations, though nothing could be done now to alter the ruling.

(f) The U.S. Secretary of the Treasury had the authority to waive or remit the taxes in question. When a judgement had been rendered, the government should then decide, after a review of the circumstances at the time, whether or not it was advisable to intervene formally.

13. *The Cabinet* noted the report of the Secretary of State for External Affairs on the complaint of Consolidated Premium Iron Ores Limited against taxation by the United States and agreed:

(a) that, following the informal suggestion of the U.S. State Department, discussions be arranged at an early date between taxation officials of the two countries;

(b) that an observer follow the case before the U.S. courts and report on its progress and outcome; and,

(c) that a memorandum be prepared for Mr. Winters outlining the duties of the Canadian government under the Reciprocal Tax Convention in regard to particular cases of companies or individuals who believed they were improperly taxed by the United States.

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199. DEA/2361-A-40

Note du chef de la Direction économique
pour le sous-secrétaire d'État adjoint aux Affaires extérieures
et le conseiller juridique

Memorandum from Head, Economic Division,
to Assistant Under-Secretary of State for External Affairs
and Legal Advisor

CONFIDENTIAL [Ottawa], November 19, 1956

CONSOLIDATED PREMIUM IRON ORES LTD.

As directed, I attended the meeting in Mr. Winters office this morning at which the following were also present:

Mr. Duncan MacTavish
Dr. A.K. Eaton, Assistant Deputy Minister, Department of Finance
Mr. McEntyre, Deputy Minister, Department of National Revenue
Mr. Sheppard, Assistant Deputy Minister, Department of National Revenue

2. Mr. Winters indicated that he had hoped to have this meeting take place in Dr. McCann's office but he had understood that Dr. McCann was not likely to be back in Ottawa by today. He gathered that in fact Dr. McCann was not in town.

3. Mr. Winters explained that his interest in this case was not related to his position as Minister of Public Works. It derived rather from the fact that as a member of the Government he was troubled by the rather widespread impression that the Canadian Government was not taking an interest in the treatment being given by the U.S. Government to a Canadian firm. This view had been expressed quite strongly in newspapers in his own province.

The keenness of his interest was affected in some degree by the fact that Mr. Cyrus Eaton had property in his constituency. He was not, however, concerned with Cyrus Eaton's personal tax difficulties since he was a U.S. resident and would have to look after himself. What he was bothered about was the position of the Canadian firm, Premium Iron Ores Ltd. He added that Mr. MacTavish was present as the distinguished counsel for the Canadian company affected.

4. As Mr. Winters understood the position, there were two aspects of the case which needed to be examined:

(a) the possibility that a U.S. court might rule that a firm had a "permanent establishment" in the United States when in fact it was clear to everybody that the nationality of the firm was Canadian. (Mr. Winters did not appear to realize that a firm could be "Canadian" and still have a "permanent establishment" in the United States. He seemed to think that if it were to be argued that such a firm had a permanent establishment elsewhere its Canadian identity was being questioned.); and

(b) the inability, as a consequence, of the Canadian Government to continue taxing that firm. (In this connection Mr. Winters did not appear to appreciate that the firm would continue to be subject to Canadian tax and that any deduction would be confined to the U.S. tax on the earnings attributable to the "permanent establishment" in the United States.)

5. In connection with the former of these points, Mr. Winters thought it was unreasonable and dangerous that the U.S. authorities who were making the submission, or the U.S. court which would be giving the ruling, should be permitted to define the term "permanent establishment" in a manner which could prejudice not only our tax agreement with the United States but also the agreements which we have with other countries and the numerous agreements which the United States has with various countries throughout the world. Mr. McEntyre was not aware that there was anything improper in this procedure or in the way the U.S. authorities were attempting to define this term. The Canadian authorities themselves had brought a case sometime ago in which they had attempted to demonstrate that a U.S. firm had a "permanent establishment" in Canada. They had resorted to much the same kind of evidence as that which the U.S. was introducing in this case. Mr. McEntyre thought that the evidence in the Canadian case had been considerably stronger but even that had not satisfied the tax court and the case was lost. The U.S. authorities had not intervened in any way in that case and had not questioned the right of the Canadian Government or the Canadian courts to determine whether or not a permanent establishment existed within the meaning of the Convention. If the court had found in favour of the Government the U.S. authorities might of course have had something to say but that would have been a different matter from commenting on the court proceedings or on the attempt of the Canadian Government to make a case within its interpretation of the terms of the Convention. Mr. McEntyre and Dr. Eaton did not think that Mr. Fortas had good grounds for his worries concerning the consequences of a ruling by a U.S. court involving definitions of terms which had not been precisely agreed upon between the two Governments. (These worries, which were referred to by Mr. MacTavish, are apparently those expressed in Mr. Fortas' memorandum† of June 28 which is on our file.) The U.S. appeared to be trying, in a fairly reasonable manner, to do what our authorities had previously attempted in the case referred to above.

6. If the U.S. Government succeeded in demonstrating that Premium had a permanent establishment in the United States (which Mr. McEntyre personally thought they would have difficulty in doing on the evidence so far produced) there could be little question of

their right to impose tax in respect of income attributable to that establishment. This was a basic principle in our Convention with the United States. Moreover in this instance there could scarcely be a question of double taxation since the bulk of the transactions involved had been exempted from Canadian tax. There was a relatively small item which might duplicate tax which Canada had collected but the U.S. Internal Revenue people had intimated to Mr. McEntyre that if they won their case the reconciliation of the claims of the two Governments with respect to this item could be discussed.

7. Mr. Winters and Mr. MacTavish referred then to the implication or innuendo in the U.S. Government's submission (which Mr. MacTavish said was even more explicit in some of the oral remarks of counsel) that the co-operation of Canadian officials reflected support by the Canadian Government for the case which Internal Revenue was attempting to make. Mr. McEntyre doubted that any such interpretation was warranted but agreed that if this impression had been created it might be desirable to try to remove it.

8. Finally there was discussion on the desirability of going further and pointing out to the U.S. authorities that when Canada had granted the original tax exemption it had not contemplated that the United States would be applying its taxes to the same transaction which both Governments presumably regarded as "war service". Dr. Eaton thought there was no legal basis for criticising the United States on this score but he felt a moral case might be made. At least we might express our "indignation" that when we had done without tax revenue on something which was in the interests of the common war effort the United States should think at this stage of attempting to extract tax revenue for itself. Mr. Sheppard recounted some of the history of the case and raised some doubt as to whether the transaction which we had exempted was in fact identical with the transaction which the United States was now endeavouring to tax. Mr. McEntyre appeared to have doubts about how right or wise it would be to pursue the argument that because we had given an exemption therefore the United States should also have done so (or should now do so). I pointed out that the Canadian Ambassador had already mentioned to the Acting Secretary or State the details of the original Canadian tax exemption and I was confident that the counsel for the Company would also have made a good deal out of this transaction in his brief. I added that when we had been consulted about the propriety of recalling this history and drawing some moral from it we had expressed the view that it would not be improper to bring these matters to the attention of the U.S. authorities if the Government were to decide that this should be done. Mr. Winters remarked that he himself had some doubts about how far this argument should be carried in any formal representations to the United States. He thought that possibly the interpretation to be placed on the co-operation given by Canadian officials might be included in a formal submission to the U.S. Government but this other matter might merely be referred to orally. In any event the whole question would doubtless be considered in Cabinet again.

9. At the conclusion of the meeting Mr. Winters said that he would be reporting to the Prime Minister that this discussion had taken place. I repeated my assumption that nothing which had been said at the meeting was to be taken as implying that those present necessarily considered it wise to proceed further with representations to the United States. I added that I could not say how we would be advising our Minister, if our advice were to be sought.

10. I am attaching spare copies of this memorandum which you might wish to send to Mr. Bryce and possibly to the Embassy in Washington if you see fit.[131]

A.E. RITCHIE

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200. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], November 22, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Minister of Justice (Mr. Garson),
The Minister of Public Works and Acting Minister of Agriculture (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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CONSOLIDATED PREMIUM IRON ORES LIMITED; COMPLAINT AGAINST U.S. TAXATION

(PREVIOUS REFERENCE JUNE 2)

18. *The Prime Minister* said he had received a lengthy letter from Mr. Burchill, Mr. Cyrus Eaton's counsel in connection with his Canadian interests, on the attempted claim of the U.S. government to collect income and excess profits tax from Consolidated Premium Iron Ores Limited. This communication dealt with the operations of the company since its beginning and recounted the steps taken to obtain information from the Canadian revenue authorities in connection with the U.S. Department of Internal Revenue's investigation of the case. Statements made at the trial concerning this latter aspect of the matter could in Mr. Burchill's view, only lead the trial judge to conclude that the Canadian government was supporting the claim of the U.S. government to collect these taxes.

19. *Mr. St-Laurent* felt it would be desirable, therefore, to send an aide-mémoire to the U.S. Secretary of State attaching Mr. Burchill's views as to what appeared to be a fair statement of the facts in the case, and pointing out that the Canadian government did not wish it to appear that it was supporting the U.S. claim. The aide-mémoire would go on to

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[131] Note marginale :/Marginal Note:
Done. Copy sent to Mr. Bryce M. W[ershof] Nov 22.
Wershof a aussi envoyé une copie à Léger./Wershof also sent a copy to Léger.

say that National Revenue officials had co-operated with the U.S. officials in accordance with the obligations of the convention between the two countries for the avoidance of double taxation and the prevention of fiscal evasion, and that the Canadian government had not contemplated any U.S. tax applicable to the operations of the company at the time that the Canadian government, as a war measure, had granted a three year exemption from income and excess profits taxes.

20. *During the discussion* the following points emerged:

(a) Under the common law it was clear that no country assisted a foreign country in the collection of revenue. The tax convention altered that as between Canada and United States insofar as the provision of information was concerned.

(b) It might not be desirable to express the opinion that the Canadian government thought the company would be free of all excess profits and income tax for the first three years of its operations. The case might be allowed to run its regular course in the courts. The main point at issue was the lack of understanding of the reasons why the original exemption was authorized by Canada.

(c) On the other hand, it was important to change the wrong impression made in the U.S. that the Canadian government was supporting the claim.

21. *The Cabinet* noted the report of the Prime Minister on the court case in the United States involving a U.S. government claim for collection of income and excess profits tax from Consolidated Premium Iron Ores Limited, and agreed that an aide-mémoire along the lines suggested, but amended in the light of the discussion, be given to the United States Department of State.[132]

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201. DEA/2361-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 2178 Washington, November 29, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Your Tel EE-327 Nov 24.†

THE TAX CASE INVOLVING CONSOLIDATED PREMIUM IRON ORES LTD

Please pass the following to the Prime Minister in answer to his letter to me:

"Dear Mr. St. Laurent,

Herbert Hoover asked to see me (about the Middle East) within an hour or so of my return to Washington on Tuesday, November 27.[133] I took this opportunity to inform him that you had asked me, after a good deal of thought and deliberation with your colleagues in Cabinet, to submit to him the views of the Canadian Government in the tax case involving consolidated Premium. I asked Hoover if he would look into this matter himself and he undertook to do so. We also arranged that I should leave a copy of the aide mémoire at first opportunity with Thorsten Kalijarvi, who is the senior official on the economic side of the State Department. This I did this morning under a letter of transmittal to the Acting Secretary of State.

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[132] Un aide-mémoire conforme à la ligne d'action exposée au Cabinet avait été envoyé au Département d'État des États-Unis le 28 Novembre 1956.
An aide-mémoire along the lines indicated in Cabinet was sent to the U.S. Department of State on November 28, 1956.

[133] Voir volume 21, document 178.
See Volume 21, Document 178.

I went over the ground again with Kalijarvi, stressing the two points made in the final paragraph of our aide mémoire, namely that the USA Government should be under no illusion that Canada supports the tax claim against consolidated and that on the contrary it had not been contemplated at the time the original arrangements were made that there would be any USA tax applicable to the operations of the company on which a tax claim was now being made.

Kalijarvi knew, of course, that I had been speaking to Hoover, and he made no substantive comments. He did enquire about what we intended to tell the press. He said that they had had a number of enquiries. I told him what I understood you had agreed to tell the press in Ottawa yesterday, namely that representations were being made for the purpose of removing any misapprehension as a result of the cooperation given by Canadian tax officials to USA tax officials in accordance with the tax convention and protocol between the two countries. Kalijarvi said that the State Department would follow the same line.

Yours sincerely.
Arnold

[A.D.P.] HEENEY

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202. L.B.P./Vol. 5

Note de l'ambassadeur aux États-Unis

Memorandum by Ambassador in United States

CONFIDENTIAL [Washington], March 14, 1957

PREMIUM IRON ORES TAX CASE

This morning Mr. Cyrus J. Eaton (at his request) called at the Embassy. The Ambassador, together with Mr. Ritchie and Mr. Sainsbury discussed various aspects of the Premium Iron Ores tax case with him.

2. Mr. Eaton produced a copy of a letter† (dated in February) which he had written to the Prime Minister, together with Mr. St. Laurent's reply.† In his letter Mr. Eaton had expressed his concern and dissatisfaction that the Canadian authorities had not made vigorous protests to the U.S. Government concerning the attempt of the U.S. Internal Revenue Service to levy taxes on Premium Iron Ores Ltd. in respect of its wartime operations. He recognized that the Ambassador had called on Mr. Herbert Hoover, Jr. and that an aide mémoire on the subject had been delivered to the State Department in November, but it was his understanding from talks with State Department and Congressional people that the Ambassador had indicated that the matter was "purely routine" and that no "representations" had been made. Commenting upon his letter, Mr. Eaton went on to say that his contacts in the State Department and Congress led him to believe that the Canadian Government's attitude had been such as to suggest to the U.S. authorities that it was not seriously concerned about the U.S. tax claim. It was, however, quite clear from the Prime

Minister's reply to Mr. Eaton's letter that Mr. St. Laurent rejected Mr. Eaton's interpretation; the Prime Minister's letter related the facts concerning the *aide mémoire* and its presentation by Mr. Heeney, explained that the State Department was fully aware of the Canadian Government's position, and stated that, in his view, the Government had gone as far as it properly could on this issue.

3. Notwithstanding the Prime Minister's letter, Mr. Eaton reverted several times to the "views" of State Department officials and Congressmen that the Canadian Government was not actually concerned at this attempt of the U.S. Internal Revenue Service to tax a Canadian company. He produced a copy of a letter of December 20th last from the State Department to Senator Smathers which, while not wholly inaccurate in its references to the Ambassador's conversations with the State Department, was incomplete in that it mentioned only one of the two points made in the *aide mémoire* and quite misleading. This letter was apparently signed by the Assistant Secretary for Congressional Relations, Robert C. Hill. We understood from what Mr. Eaton said that he had taken upon himself to see that parts of this letter were brought to the attention of the Canadian Government. (This probably explains the origin of the so-called "report" to the Senate Foreign Relations Committee which was sent to us some weeks ago.)

4. In going back over the history of the tax case, Mr. Eaton expressed his view that the tax claim against Premium and himself originated solely because a person who discovers, and informs on, a tax claim that can be successfully prosecuted gets 25% of the proceeds. He then brought up his visit to T. Coleman Andrews, formerly Commissioner of Internal Revenue, some time ago in which he alleged that he had received assurance that the case would be dropped if there was any indication of objection or protest from the Canadian Government. He also referred to a visit by Dr. McCann to Mr. Andrews, in which he claimed that Dr. McCann had protested against this effort to tax a Canadian company and in which Dr. McCann had been assured by U.S. officials that, if he was prepared to put his protest in writing, the case would be dropped. On his return to Ottawa (Mr. Eaton went on), Dr. McCann had decided against this idea and sent a "very wishy-washy" letter (to Internal Revenue), which did not indicate that Canada had any real objections to the case.

5. Mr. Eaton then referred to the visit which the Ambassador had made to Mr. Hoover in May of 1956 to express Canada's concern with the tax case against Premium. Mr. Eaton said that, after this interview, Mr. Hoover had been most impressed by the Canadian position; it was not until the following Monday, after a phone call from Secretary Humphrey, that Mr. Hoover had decided that in reality the Canadian attitude was not strong enough to warrant the U.S. reconsidering the claim against Premium. According to Mr. Eaton, Secretary Humphrey was able to give Mr. Hoover this assurance because of a telephone conversation he had had with Mr. C.D. Howe over the weekend.

6. At this point Mr. Eaton expressed himself concerning Mr. Humphrey. He said that, while he and the Secretary were "social" friends, they were bitter business competitors. Never in the history of U.S. Government, Eaton went on, had any Government official used his position to widen his business interest and influences as had Mr. Humphrey. He as much as stated that the real reason that the tax case had not been dropped was that Mr. Humphrey saw these proceedings as a way to weaken Mr. Eaton's business interests and strengthen Hanna's position. He added that not only some individual Senators (Republican and Democratic) but also the Republican Policy Committee were taking an interest in this case, and that Mr. Humphrey might shortly be called to the Hill to "explain".

7. Mr. Eaton then referred to a talk he had had with President Eisenhower during the Greenbrier conference, and remarked that the President had drawn him aside and said how

"he and Mamie" sympathized with him over the tax problems that he was involved in. He said the President mentioned that "their very good friend, George Allen," (as a participant in Premium) was also being affected. According to Eaton the President thought it "unfortunate" that the Canadian Government had not registered any protest against this tax claim.

8. The main theme of Mr. Eaton's remarks was that the Canadian Government's attitude towards something which should be of serious concern to them had been from the beginning very weak. The Canadian officials had cooperated much more than was necessary or even legal with the U.S. tax officials investigating the case. They had not protested the claim to the U.S. Government, and the *aide mémoire* had been presented in such a way as to minimize any possibility of its exerting an influence on the U.S. authorities.

9. Mr. Eaton seemed to think that it was some sort of conspiracy between Mr. Humphrey and Mr. Howe which had brought about this situation. He mentioned that vigorous protests in newspapers were being made in Canada from coast to coast against the action of the U.S. tax authorities and also against the lack of vigorous action on the part of the Canadian Government. He referred to the fact that the Ungava ore project was in great jeopardy because of the possibility that U.S. tax authorities in ten years or so could reach into Canada and levy heavy taxes against this operation in the same way as they were endeavouring to do against Premium. He pointed out that Premier Duplessis had put through the legislation necessary for the project to begin operation in Quebec, but that in view of the present situation he (Eaton) felt that reconsideration of this project would now have to be given by its backers even though plans had been made for an impressive ceremonial launching of the project in the next few months.

10. In replying to Mr. Eaton's allegations concerning the conveying of Canadian views and the transmission of the *aide mémoire* to the State Department, the Ambassador denied categorically and emphatically that he had said or implied to Hoover or Kalijarvi that this was a "routine" matter in which the Government had no concern; on the contrary, the facts as outlined in the Prime Minister's letter to Mr. Eaton were precisely correct. The Ambassador went on to explain that he had discussed the Premium tax case with Mr. Hoover in both May and November of last year. In the course of these discussions he had commented to Hoover that the expression of Canadian views on the matter should not be taken to mean that the Canadian Government was attempting to interfere in U.S. judicial processes; this, of course, was a natural comment to make since Canada would not wish any such interference to be attempted by the U.S. if the positions were reversed. Such a comment, the Ambassador continued, could by no stretch of the imagination be construed in a way that would suggest that the presentation of the *aide mémoire* to the U.S. authorities was made in a "routine" manner. Mr. Heeney pointed out that, on the basis of most recent talks with State Department officials, it was clear that they were fully apprised of the Canadian position and that the *aide mémoire* had been passed along to the proper U.S. officials in the two Departments of U.S. Government concerned — Treasury and Justice. Mr. Heeney wanted Mr. Eaton to be very clear on this situation; the Embassy's instructions from Ottawa had been promptly and accurately carried out and the Government's position precisely stated to the U.S. authorities. Mr. Eaton would not expect him to comment on the other allegations he had made.

11. Mr. Eaton then went on again at some length about the "cooperation" which had been shown by the Canadian Government to U.S. tax officials in their preparation of this case. This had suggested to the U.S. authorities concerned that the Canadian Government did not view with anything but equanimity the tax claim against Premium. He made some slighting references to the alleged activities of Mr. McEntyre in attempting to influence

other Deputy Ministers in Ottawa. He thought that Mr. McEntyre had "accidentally" become involved in this cooperation with the U.S. and now felt bound to defend it.

12. When asked what his lawyers thought of the outcome of the case, he merely said that in their view the whole thing was strictly illegal, but that they could not tell what influences had been brought to bear and what the probable outcome of the case would be. He again referred to the effect which this case would have on the investment or risk capital in Canada and the problems it had raised already in connection with the Ungava project.

13. In leaving Mr. Eaton expressed his gratitude for the explanations given him of the Embassy's part in these events.[134]

A.D.P. H[EENEY]

SECTION F

DINDES, FRUITS ET LÉGUMES
TURKEYS, FRUITS AND VEGETABLES

203. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], May 27, 1957

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Revenue (Dr. McCann),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Secretary of State and Acting Secretary of State for External Affairs (Mr. Pinard),
The Associate Minister of National Defence (Mr. Hellyer).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Pelletier, Mr. Martin).

. . .

APRICOTS, TURKEYS AND FRUIT; PROTECTION AGAINST IMPORTS AND DEPRESSED PRICES
(PREVIOUS REFERENCE MAY 9)

39. *The Minister of Finance* said he had an opportunity to discuss with Mr. Sinclair the problem arising out of the fairly large current crop of apricots in British Columbia. It appeared that, if imports of apricots from the United States could be prevented by some

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[134] Le 23 avril 1957, la cour des États-Unis de l'impôt a tranché en faveur de la société Premium Iron Ores Limited. Pour connaître les détails de cette décision, voir 'Consolidated Premium Iron Ores Limited, et al.*, Petitioners, v. Commissioner of Internal Revenue, Respondent' dans *T.C.* volume 28, nº 19, p. 127.

On April 23, 1957, the United States Tax Court decided in favour of Premium Iron Ores Limited. For the details of the decision, see 'Consolidated Premium Iron Ores Limited, et al.*, Petitioners, v. Commissioner of Internal Revenue, Respondent' in *T.C.* Vol. 28, No. 19, p. 127.

means, the marketing of the Canadian crop in Canada would not present too serious a problem. Canadian apricot growers had an understanding with California growers whereby each group respected the other's markets. However, no such agreement existed with apricot growers in the State of Washington where recent crops had been heavy, and it was feared that substantial movement of apricots from here to British Columbia might cause a serious drop in Canadian prices. The most practical solution might be to suggest that the B.C. producers endeavour to reach an agreement with the growers in the State of Washington, similar to that which they had with California growers.

There was a much more serious problem in the Canadian turkey market. During the previous year, some 12 million pounds of turkey had been imported into Canada from the U.S. Imports of U.S. turkeys in approximately the same volume this year would not have any serious effect. However, the very much increased production of turkeys in the U.S. during the current year made likely a much larger volume of sales to Canada, which would likely be followed by a significant drop in the price of Canadian turkeys. Perhaps the government might place turkey imports under some quota system pending tariff negotiations in the fall. If such a quota system were established, turkey producers thought that, in addition to imports already made during the current year, another 5 million pounds might be allowed in from the U.S. A quota system, however, could not be set up unless the price of turkeys was supported or market conditions were such that Canada could claim "serious injury" under the provisions of the General Agreement on Tariffs and Trade.

A third problem had arisen in connection with the coming fruit crop in the Niagara Peninsula. Producers in that area were most anxious that the government should take some form of restrictive action against imports to ensure economic prices and favourable market conditions for Canadian fruit growers. In this instance, however, since the first fruit crop would not be gathered for some considerable time, there was no basis on which direct government action could be taken.

40. *The Cabinet* noted the report of the Minister of Finance and agreed,

(a) that the apricot growers of the Okanagan Valley in British Columbia be informed that the government was prepared to support any steps they might take in an endeavour to reach an agreement with the apricot growers of the State of Washington similar to that in existence with the California growers;

(b) that the Departments of Finance, Agriculture, and Trade and Commerce consider further the problems that might arise as a result of increased turkey imports from the United States, on the understanding that the government might be prepared, pending tariff negotiations in the fall, to place turkeys temporarily under import control in much the same manner as had been done for cheddar cheese; and,

(c) that the fruit growers in the Niagara Peninsula be informed that the government was carefully studying their representations with regard to problems that might arise during the current year, with a view to determining what action, if any, should be taken to protect them against abnormal competition from imports.

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204. DEA/3300-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-828 Ottawa, May 29, 1957

CONFIDENTIAL. OPIMMEDIATE.

FRESH FRUITS AND VEGETABLES

Following is the substance of a statement that will be made tonight on behalf of the government. Would you please inform the State Department. Text begins:

In the past few months the government has received representations from fruit and vegetable growers in various parts of the country about import competition from the United States.

2. It is my understanding that the growers are concerned about two problems. The central problem is that because of price increases and changes in production and marketing techniques which have occurred in recent years, the growers feel that the specific duties applicable during the Canadian marketing season are too low in some cases, and applicable during too short a period in other cases. There are a variety of fruits and vegetables and a solution suitable for one may not be suitable for the other. The whole matter is being carefully studied and the government desires to do what is necessary to deal with this situation. Changes of this kind are, of course, a matter for negotiation under our trade agreements with the U.S. The U.S. has been informed of our difficulties. As soon as our work has been completed, if the facts warrant it, we intend to enter into negotiations as soon as possible with a view to meeting the problem.

3. The other matter which the growers have brought to our attention is a more immediate one. We have been told that for certain fruits bumper crops are anticipated this season on both sides of the border, and that unless special measures are introduced, serious marketing difficulties will occur. We are keeping the situation under close scrutiny from day to day. It is still too early to know exactly what the situation will be. No fruits of the kind in question are moving across the border in appreciable quantities at the present time and it will be some time yet before the Canadian crop will be ready for market. If the situation which the growers fear should develop and fresh fruits should move into Canada at abnormally low prices, the government intends to take action to prevent serious injury to the Canadian fruit growing industry. To this end, should it prove necessary, the government intends to avail itself of the authority under the Customs Act as well as the emergency escape clause of the General Agreement on Tariffs and Trade to prevent imports of fruits from moving into Canada at prices which would result in serious damage to Canadian growers. Text ends. Message ends.

205. DEA/3300-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], May 31, 1957

TURKEYS

On May 27 Cabinet gave consideration to the question of turkeys and instructed officials

(a) that it was the Government's wish somehow to provide some additional insulation to the Canadian market for the current season, beyond what is provided by the present Canadian tariff; and

(b) that the present tariff arrangements were to be reviewed for possible renegotiation later this year.

2. The Embassy in Washington was asked to find out whether there were any means at the disposal of the U.S. authorities for insulating the Canadian turkey market from some of the pressures that are developing. They have replied that there is no U.S. legislation which could be used for this purpose, and it did not appear that the exporters themselves could cooperate to restrict their shipments.

3. It has been impossible to get Mr. Harris' views since this report from Washington was received.

4. Mr. Harris spoke to representatives of the Canadian Turkey Federation last Sunday and three of them (names attached *) spent all this afternoon with officials exploring ways and means of insulating the Canadian market in the immediate future and until the tariff can be renegotiated. It has not been possible in these explorations to find any means yet which would be both possible (under existing legislation) and effective to protect the Canadian producers. The producers do not, except as a last resort, want price supports nor do they want a total embargo against U.S. exports. There is, however, no Canadian legislation under which quotas could be imposed against the United States unless there was a price support scheme in which the Canadian Government participated to effectively support the Canadian price. Nor is there a Canadian organization with which the Canadian Government could enter into an agreement such as was recently signed on cheese, the Canadian Turkey Federation notwithstanding.

4. As for tariffs, the Government cannot of course raise the present rates except by legislative action.

5. Other avenues were also explored; e.g., the use of the Canadian health regulations, but proved to be blind alleys. The Federation spokesman also confirmed the word we had from Washington that the U.S. producers and traders would not voluntarily limit their exports, particularly in the face of insistent demands by importers here (even though they are sympathetic with the Canadian producers' problems and their Canadian sales of 12,000,000 pounds a year are only a small fraction of their total business).

6. The C.T.F. representatives are fully cognizant of the difficulties outlined above of trying to find a legal basis for what they ask, namely, a yearly import quota of about 6.8 million pounds, or roughly half the present rate of shipments.

7. In regard to any public statement, these representatives were very clear in warning against any statement which might precipitate further imports into Canada. They have been doing what they can to kill a rumour that the matter had been settled, a quota established, and the duty raised to 2¢ a pound.

8. Bearing this danger in mind it is suggested that if you wish to make any remarks on this subject they might be along the lines of the attached draft.†

* 1. Harry B. Donavon (Toronto), Certified Turkey Growers of Ontario.
2. Albert Pond, Jarvis, Ontario, Past-President, Ontario Branch, C.T.F.
3. Roy Patterson, Director of the Ontario Branch of the C.T.F.

J. L[ÉGER]

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206. DEA/3300-40

Note du ministère des Finances
pour le sous-ministre adjoint du ministère des Finances

Memorandum from Department of Finance
to Assistant Deputy Minister, Department of Finance

[Ottawa], June 6, 1957

TURKEYS

1. There was a meeting with representatives of the turkey growers in Mr. Plumptre's office on May 31st. In addition to departmental representatives the following were present:

Mr. Donovan, Ontario Turkey Association
Mr. Bond, Ontario Turkey Association
Mr. Patterson, Ontario Turkey Association
Mr. Couillard, Department of External Affairs
Mr. Isbister, Department of Trade & Commerce
Mr. Davey, Department of Agriculture.

2. Mr. Plumptre pointed out that in accordance with ministerial instructions, the Government was exploring means of averting the potential threat to Canadian marketings which might result from the anticipated surplus of turkeys in the United States. One of the problems was that a Government announcement to this effect might bring about large-scale speculative buying of U.S. turkeys, particularly since it appears that adequate refrigerated storage space is available in Canada at this time.

3. It was pointed out that there were at least two alternative forms of Government action which would satisfy legislative requirements necessary for the imposition of import controls:

(a) the Government could make agreements under the Agricultural Co-operative Marketing Act for the purpose of guaranteeing an initial payment to turkey growers. After discussion, it was concluded that the existing co-operative marketing organizations, mainly in the West and in Quebec, covered too small a proportion of total turkey production to provide an adequate base under our legislation for justifying import restrictions. Furthermore, the administrative problems would be great, in view of the many small co-operative organizations;

(b) the Government could support the price of turkeys directly under the authority of the Agricultural Prices Support Act. It was recognized that it would be difficult to determine an appropriate support level. On the one hand, the support price should not be at a level which would unduly encourage production. On the other hand, the support should be at a realistic level to avoid criticism that it merely serves as a device for restricting imports.

4. The discouragement of imports by means of a more painstaking examination to detect hormone-treated birds was considered impractical.

5. The representatives of the turkey growers reiterated their previous stand that they would prefer the imposition of import controls without price support. Although recognizing that from a legislative point of view some form of price support would be necessary, they were particularly afraid that the support price might become the ceiling price and that consequently, in the long-run, action of this kind might work out to the disadvantage of the industry. On the other hand, too high a support price would cause over-production and general disorganization. The turkey growers suggested that a price of 32¢ a pound, live, Toronto, would be at or near the break-even point and would therefore be a reasonable support level; they intimated that anything drastically below this level might cause them to press for a downward revision of the proposed import quota.

The delegation submitted on behalf of the Canadian Turkey Federation a proposal calling for a quota on U.S. imports this year amounting to 6,856,000 lbs. This figure was based on an average of imports during the past five years, but since imports have increased sharply, it is only about half as much as last year's imports. This quota would serve until such time as the tariff could be re-negotiated with the United States; in this regard they had in mind some sort of tariff-quota arrangement. The turkey growers pointed out that Government action instituting a quota should not be too long delayed since banks and feed companies which finance a large part of turkey production might become restive in the face of the threat from United States imports. In their view, the United States turkey industry understands the Canadian problem and would not object too strenuously to the proposed restrictions.

6. It was pointed out on the official side that the United States may object to the proposed determination of a quota since it is based on an average over a period of time when market conditions changed quite drastically. Some doubt was expressed whether the proposed restrictions could keep Canadian prices above United States levels. Since the production of turkeys affords western grain growers an opportunity to convert surplus grain into cash, it would be unrealistic to expect the Canadian turkey industry to exercise a noticeable degree of self-restraint in the present situation; this might cause difficulties both internationally and on the domestic scene. The fear was expressed that the restriction on United States imports might interfere with the proper distribution of different types of birds for the Canadian market, and that consequently it may be necessary to establish separate quotas for broilers and heavy birds. There was also the danger that there might be some substitution in favour of a greater consumption of other kinds of fowl.

7. The turkey growers gave the assurance that they would get in touch with officials if a threat to orderly marketing should develop and they recommended that in the meantime the Government might make known that talks with turkey producers are still in progress and that no official decision has been made.

E.A. OESTREICHER

207. DEA/3300-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-875 Ottawa, June 7, 1957

CONFIDENTIAL. PRIORITY.

FRESH FRUITS AND VEGETABLES

The government statement relating to import competition was used in a meeting on Tuesday night, May 28th, and the relevant parts appeared in the press in the Niagara Peninsula the following day. The Canadian Horticultural Council immediately approached the Department of Finance to enquire about the implications and implementation of the policy. Accordingly there was a general meeting between representatives of the Council and officials of the departments concerned on Monday, June 3rd, followed by meetings on Tuesday and Wednesday of smaller groups concerned with the two most immediate problems: apricots and strawberries.

2. It would seem pretty certain now that in due course the government will be seeking to renegotiate tariffs under Article XXVIII of the GATT with the United States (and others if necessary) on a number of fruits and vegetables. In the meanwhile the government will consider emergency action under Article XIX if cases of serious injury falling within the terms of that article are brought to its attention. The action would almost certainly involve the imposition of fixed values under Section 38 of the Customs Act. Anti-dumping duties under Section 6 of the Customs Tariff would be consequential.

3. The purpose of the meetings on apricots and strawberries was to consider the claims of the growers that their position warranted immediate escape clause action. While a certain amount of information remains to be collected, it is the impression of officials who took part in these meetings that a case can definitely be made regarding strawberries. In this connection action will have to be taken within the next week if it is to be effective this season. The case in regard to apricots would seem much weaker; the time of action is not quite so urgent; and it may be possible, now that growers in the State of Washington are getting organized, that some informal arrangements between growers' organizations on the two sides of the border may provide a degree of insulation that the Canadians will consider adequate.

4. A meeting of the Interdepartmental Committee on External Trade Policy has been called for today (Friday) to consider reports on the meetings with the growers and particularly the urgent case of strawberries. It seems likely that reports will subsequently be made to ministers indicating that a case for emergency action on strawberries can be made, both within the terms of the GATT and within the terms of Section 38 of the Customs Act.

5. On Wednesday Myron Black asked Plumptre what had happened subsequent to the government announcement and what products were under consideration. Plumptre told him very briefly of the meetings and mentioned strawberries and apricots but without indicating what the findings of officials were likely to be. Black asked Plumptre to keep him informed of further approaches relating to other products but Plumptre was not too committal and emphasized the confidential nature of the information that had just been communicated. (It had emerged in the general meeting with the Horticultural Council that at

one time the U.S. Embassy here had provided a leak in advance of the dates on which increased seasonal tariffs went into effect, resulting in last minute rush movements of horticultural products in Canada.)

6. Since this was dictated the Interdepartmental Committee has agreed that there is no ground under GATT for action on apricots (in the near future at any rate) but that a strong case can be made on strawberries within the terms of GATT and our own legislation.

7. The above is all for your own information at this stage (with the exception of what Plumptre told Black), since any leak would have obvious consequences. If ministers decide to take action we hope to put you in a position to notify the U.S.A. (and we would intend to notify GATT) simultaneously with the announcement here.

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208. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], June 13, 1957

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The President of the Privy Council (Mr. Chevrier),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard),
The Associate Minister of National Defence (Mr. Hellyer).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Pelletier, Mr. Martin).

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FRESH FRUITS AND VEGETABLES; ARBITRARY CUSTOMS VALUES ON STRAWBERRIES

(PREVIOUS REFERENCE MAY 27)

3. *The Prime Minister* said that urgent representations had been received from fruit and vegetable growers in Ontario concerning import competition from the United States. The growers were concerned about two problems. First, they felt that the protection afforded them through specific duties during the Canadian season was no longer adequate, and had asked that duties be raised in some cases and the seasonal protective period extended in

others. Second, and more immediate, severe price competition was expected during the current season for a number of products and the imposition of fixed values on imported items was requested where there was a threat of serious injury.

Subsequent to the last discussion of these issues, the Minister of Finance had announced that the longer range problem would be studied and had referred to possible negotiations with the United States. He also had assured the growers that, should it prove necessary, the government would take action to prevent serious injury to the fruit growing industry. Following this announcement, officials held discussions with representatives of the growers who pressed for immediate action to establish fixed values on apricots and strawberries and indicated that similar requests would likely be forthcoming for a number of other items.

Detailed studies had been made of the apricot and strawberry situation and the evidence was reviewed by the Interdepartmental Committee on External Trade Policy. As a result, it had been agreed that no grounds existed at this time for action on apricots under the General Agreement on Tariffs and Trade Escape Clause and the appropriate section of the Customs Act. However, as regards strawberries, it was agreed that the existing situation constituted an immediate threat of serious injury to producers. This was due principally to large stocks of frozen strawberries in the U.S. and a particularly heavy crop of fruit in California. Prices to growers there had declined to about 8 cents a pound compared with 14 to 18 cents in recent years.

The Canadian crop would come on the market in volume in the next few days and, should it be decided to protect the growers, immediate action was required. Under existing law the only means of providing this additional protection was the authority contained in section 38 of the Customs Act, by which the Governor in Council could authorize the Minister of National Revenue to fix the value for duty of imported fresh and frozen strawberries. Such authority might be valid for six months. No action was required at present on other forms of processed strawberries. The values proposed would make possible a return close to the average price prevailing in recent years.

Because of the time considerations involved, this step would mean no prior consultation with the G.A.T.T. and, under the relevant provision of the agreement, the U.S. would be free to take unilateral compensatory action against imports from Canada. Jam manufacturers here would be faced with higher raw material costs. On the other hand, the lower prices paid to U.S. manufacturers would not be apt to lead to a serious problem because the products of the two industries had not been directly competitive. A much more important consideration would be the creation of a precedent for other products in manufacturing, as well as in agriculture. The danger of pressure in this connection might be mitigated by stressing in a public statement the exceptional nature of the action and the peculiar circumstances of the fruit and vegetable industry. A draft statement† was submitted for consideration.

During the investigation of the problem it became apparent that the seasonal protection afforded the industry was ineffective because of the rise in the price level and that technological changes had significantly affected the long term competitive position of Canadian producers. It would therefore be useful to have the Tariff Board examine the appropriate tariff schedules and to advise on methods and rates for seasonal protection to the industry.

The Interdepartmental Committee had reached the following conclusions:

(a) There was at present no case for emergency action on apricots.

(b) A case could be made for such action on strawberries. Should this be done, values might be fixed for a period of six months on the fresh and frozen fruit at ranges from 13.5 cents to 23.5 cents.

(c) If emergency action were taken, consideration might be given to issuing a policy statement along the lines proposed.

(d) The Tariff Board might be requested to undertake a study of the tariff schedules on fresh fruit and vegetables.

An explanatory memorandum had been circulated, (Memorandum, Acting Chairman, Interdepartment Committee on External Trade Policy, June 12, 1957 — Cab. Doc. 110-57†).

4. *During the discussion* the following points emerged:

(a) If the present administration were to continue in office, there would be no hesitation in acting on strawberries. However, this might be inadvisable as it would be a very valuable precedent for a new administration in other cases. On the other hand, strawberries were due to come on the market in volume at any moment and, to protect the industry for this year, action had to be taken immediately. A deferred decision would be too late.

(b) Whether or not fixed values were authorized in this case, there was no doubt that in Ontario there was a strong demand for protection and steps would be taken, in any event, to afford appropriate levels of protection to fruit and vegetable growers and probably to other industries as well. Canada was about the only country that had not resorted to the escape clause procedures in the G.A.T.T.

(c) Acting on strawberries would raise the cost of living of those who had to sell their production on world markets. It would also strengthen the hand of those in the U.S. who wished to restrict imports of lead and zinc.

(d) No action except on strawberries was proposed at the present time, but apricots might well become critical in a few weeks and no doubt representations would be made for more protection for that particular fruit. The growers had also indicated that there might be five or six other fruit and vegetables for which they would request emergency action this season.

(e) U.S. strawberries were not being "dumped" into Canada in the traditional legal sense, nor was this an end-of-season, end-of-line problem. Prices all over the U.S. had collapsed or were about to fall due to large stocks and a large California crop. In these circumstances, dumping duties could not be applied. The fixed values suggested were slightly lower than the going price at the moment and would result in prices close to the average of recent years.

(f) Action was essential in the light of the commitment given to the growers. To refuse to honour it would be a breach of faith. Also, if it were not followed up, farmers would come to feel that they could not count on the Liberal Party. Statements had been made recently that agriculture should be as attractive as possible and that several things still had to be done to make it an appealing occupation. On the other hand, fishermen dependent on export markets would strongly resent this sort of protectionist action even in this special case. If this action were taken it would be much more difficult to present Canada's case before the U.S. Tariff Commission during hearings on fish products.

(g) On the other hand, not too much difficulty should be expected with the U.S. if the recent arrangements with regard to potatoes could be taken as a guide. A revision of the seasonal tariffs for many other products would have been suggested in any event and the U.S. was anticipating an approach from Canada on the whole matter.

(h) There were other products such as corn and soya beans which were suffering from severe U.S. competition right now and action should be taken to protect them too. It was pointed out, in reply, that the corn problem was related to railway freight rates. No case had yet been made for this, therefore, it was difficult to proceed as in the case of strawberries.

(i) The proposal involved a substantial extension of the principles indulging anti-dumping procedures and to reach a decision on it at this stage was not appropriate.

(j) Asking the Tariff Board to study the fresh fruit and vegetables tariff schedules would be normal if the government were considering negotiating in the G.A.T.T.. It also seemed sensible in the context of the present problem and could hardly be criticized. Against this it was argued that the proposed reference was an indication of a major change in policy which should not be settled in the present circumstances.

5. *The Cabinet* noted the report of the Interdepartmental Committee on External Trade Policy regarding United States import competition for fresh fruit and vegetables and agreed,

(a) that there was no case at the present time for emergency protective action for apricots;

(b) that the Minister of National Revenue be authorized to fix the value for duty on imported strawberries at the following levels:

(i) 13.5 cents per pound for fresh strawberries;

(ii) 19.5 cents per pound for frozen strawberries in packages weighing 1.5 pounds and over; and,

(iii) 23.5 cents per pound for frozen strawberries in packages of under 1.5 pounds.

(c) that the Tariff Board be requested to undertake a study of the tariff schedules for fruit and vegetables; and,

(d) that an appropriate announcement be made regarding the above decisions.

(An order in council with respect to (b) above was passed accordingly; P.C. 1957-508, June 13.)

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SECTION G

POMMES DE TERRE
POTATOES

209. DEA/10579-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM 357 Ottawa, February 28, 1956

IMPORTANT

POTATOES

1. Three or four Canadian officials plan to be in Washington on Monday and Tuesday, March 5 and 6, to discuss potato tariffs and we would be grateful if you would make arrangements for meetings with appropriate U.S. officials. These could begin Monday morning but the Canadians, who will probably arrive by air on Sunday evening, would like to run over the ground with Embassy officials first. We would be grateful if you would make hotel reservations; the names of our group will follow shortly.

2. Hopper and Couillard are already generally familiar with the course of events and thinking up here, but we think it would be useful if the following explanation of the visit could be handed to U.S. officials without delay so that they may give some consideration to the matter before the meetings. You yourselves will appreciate, of course, that this explanation is to be regarded as a strong opening position in what may well develop into quite difficult negotiations.

Text begins.

For several years past Canadian potato producers have been requesting increased protection. Last year the Canadian Government decided to refer the question to the Tariff Board in order to obtain the most complete information available on production, consumption, marketing, imports and exports and also on the operation of the Canadian tariff. The Board's report was received last November and the Government has now had time to consider it and discuss it with representatives of the producers.

It seems clear that the pattern of trade in potatoes has substantially changed in recent years. Heavy imports from the United States have entailed serious injury to Canadian producers, and the tariff situation, with free entry for the great majority of imports into Canada but with a substantial U.S. tariff against Canadian exports, has become unfair and inequitable. The request of Canadian producers before the Tariff Board was that the Canadian tariff should be set at a rate of 37 1/2 cents per cwt. against all imports, even though at this level it would reciprocate the U.S. tariff applying only to shipments within the U.S. tariff quotas. The Canadian Government considers this request to be reasonable in all the circumstances.

It is recalled that, on a number of recent occasions, when the U.S. has felt impelled to take protective action in regard to certain agricultural products which had been the subject of negotiations with and tariff bindings to Canada, the Canadian Government has decided that it was not in the common interest to take compensatory action. Nevertheless, it is recognized that the present Canadian rates were negotiated between Canada and the United States as part of comprehensive trade negotiations and that they have been bound under GATT. Accordingly, Canadian officials would welcome an opportunity of discussing with U.S. officials how this matter may be handled in a mutually satisfactory manner. Ends.

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210. DEA/10579-40

Note du sous-ministre adjoint du ministère des Finances pour le ministre des Finances

Memorandum from Assistant Deputy Minister, Department of Finance, to Minister of Finance

SECRET [Ottawa], April 17, 1956

TARIFF ON POTATOES

During the discussions on potatoes which Canadian officials had in Washington last month, it was agreed that the U.S. authorities would provide later a definitive statement of what compensatory action the U.S. would propose in the event that Canada applied a duty of 37 1/2 cts. per cwt. to all potatoes throughout the year, as had been requested by the Canadian Horticultural Council.

2. A reply has now been received. It states that if Canada should insist on the proposal for applying a 37 1/2 ct. duty the year around, the U.S. would wish to

(a) eliminate the low-duty quota of one million bushels on table-stock potatoes,

(b) eliminate the escalator clause under which the low-duty quota on table-stock potatoes would be increased in any year in which the U.S. crop falls below 350 million bushels, and

(c) reduce the low-duty quota on seed potatoes from 2 1/2 million to 1 1/2 million bushels.

3. Canadian officials of the Departments of Agriculture, Trade and Commerce and Finance consider that to give up all of the U.S. table-stock quota (including, for what it is worth, the escalator clause) and 1,000,000 bushels of the seed quota would be too high a price to pay for a release from our present obligations. Experience in recent months shows that access to the U.S. potato market is still valuable not only for seed but also for some table stock. Officials agree, however, that it is advisable to continue efforts to negotiate more nearly reciprocal tariff arrangements on potatoes.

4. Both the formal U.S. reply and the discussions which we had in Washington indicate that the Americans will insist, as is their right, on being paid in full for whatever concessions they relinquish, and that they are particularly anxious to preserve free entry into the Canadian market for their *new* potatoes.

5. They have submitted counter-proposals which would involve our providing for free entry into Canada of new potatoes from January to or through July. These counter-proposals would of course not be acceptable to Canadian producers in their present form, as they would involve extending the period of free entry into or through the period (June 15-July 31) which is now dutiable. In this connection you will recall that there have been requests from early-producing areas in Ontario and British Columbia that the dutiable period commence earlier than June 15, by which date the first Canadian new potatoes are ready for market in most years. Nevertheless, the U.S. counter-proposals do suggest a possible avenue for further negotiations.

6. It is not to be taken for granted that such negotiations would produce results that would commend themselves to Canadian potato producers (who would like to have higher Canadian duties on potatoes without any change in the U.S. rates) or to the Government. However there does appear to be hope of reaching a reasonably satisfactory compromise along the following lines:

(a) the imposition by Canada of a 37 1/2 ct. duty on potatoes generally;

(b) continued free entry for *new* potatoes during part or all of the period January 1-June 14;

(c) the preservation of most or all of the present U.S. tariff quota on seed potatoes, and possibly part of the quota on table stock;

(d) the offer of compensation by concessions on non-sensitive vegetable items approved by the Department of Agriculture.

7. If the above course of action is adopted, critics no doubt will point to the obvious (and inevitable) fact that reciprocal rates on potatoes have not been achieved. They might also argue that looked at from the viewpoint of the consumer a luxury import (new potatoes) is exempt from a duty which applies to a staple food. And producers of early potatoes may complain that their problem has not been solved. The Government would be in a position, however, to say honestly that it had made every possible effort to meet the basic problems revealed by the producers' representations and by the Tariff Board Report.

8. Two procedural matters arise in connection with the implementation of any solution along the above lines. First, we must obtain approval from the CONTRACTING PARTIES to the GATT to renegotiate the item in question. Second, an amendment to the Customs Tariff will have to be approved by Parliament.

9. You may wish to deal with the second matter by asking Parliament to approve at this session an amendment (to be introduced when the Budget Resolutions are in Committee) providing for the imposition of a 37 1/2 ct. per cwt. duty on potatoes imported under the British Preferential and Most-Favoured-Nation tariffs, to come into force on a date to be proclaimed by the Governor in Council. There are precedents for this procedure. It would be contemplated that if the negotiations are successful the new rates would be proclaimed on August 1, 1956, i.e. that they would maintain the seasonal duty which will be in force under the M.F.N. tariff from June 15 to July 31 under present legislation. It would be contemplated, further, that at the time the new rates are proclaimed an Order in Council would be passed under authority of Section 10 of the Customs Tariff exempting from the duty new potatoes imported during whatever period is agreed upon with the U.S. — i.e. during part or all of the period from January 1 to June 14 in each year.

10. It is recommended that officials of the Departments concerned be authorized to take the following steps:

(1) to submit to the CONTRACTING PARTIES to the GATT a formal request for permission to renegotiate Tariff Item 83(a) (potatoes);

(2) to continue negotiations in Washington looking toward an agreed solution along these lines:

(a) the imposition by Canada of a 37 1/2 ct. duty on potatoes generally;

(b) continued free entry for new potatoes during part or all of the period January 1-June 14;

(c) the preservation of most or all of the present U.S. tariff quota on seed potatoes, and, if possible, part of the quota on table stock;

(d) the offer of compensation by concessions on non-sensitive vegetable items approved by the Department of Agriculture.

11. Officials of the other Departments concerned are placing copies of this memorandum before their Ministers for concurrence or, if they so desire, for consultation with you.

A.F.W. PLUMPTRE

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211. DEA/10579-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-882 Ottawa, May 10, 1956

SECRET

POTATOES

We would be grateful if Couillard would write a letter to Thibodeaux in the following terms:

"This letter refers to the negotiations with respect to Canadian and United States tariffs on potatoes, which were attended by representatives of both our governments and concluded in Washington on April 26th. We reached a mutually acceptable basis of agreement which might be summarized as follows, by referring to changes from the existing position:

(a) Canada will impose a duty of 37 1/2 cents per cwt. on all imported potatoes with the exception that new potatoes will be granted continued free entry during the period January 1st-June 14th inclusive.

(b) The United States will reduce the tariff quota applicable to table potatoes by 500,000 bushels per year and the tariff quota applicable to seed potatoes by 500,000 bushels per year.

You will remember that our representatives enquired whether, in existing circumstances, the United States might possibly welcome a delay of several months in implementing the above agreement. You expressed interest in this suggestion and reserved your reply. We were subsequently informed that the United States would welcome deferment if it could be done without embarrassment but did not consider it sufficiently important to make a special point of requesting it.

The question of timing has now been carefully considered by the responsible Canadian ministers in the light of this reply. I am pleased to inform you that a decision has been made to defer action with respect to the potato item for several months. This decision is taken on the understanding that the substance of the agreement we have reached will not need to be re-negotiated at a later date when the time comes to formalize and implement it but will be regarded on both sides as a mutually acceptable package. It will, of course, be necessary to consult and reach agreement with regard to timing and procedures.

There is still one detail which remains incomplete and that is the wording of the new Canadian tariff item. We would like to reach an agreement with you on this in the near future so that the substantial position of the negotiations will have been completed while the issues are fresh in our minds. For this purpose, the Department of Finance will be supplying their proposed formulation for your consideration within the very near future."

212. DEA/10579-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 956 Washington, May 23, 1956

SECRET

Reference: Your E-882 May 10.

POTATOES

We have received the following letter dated May 23 and signed by Ben H. Thibodeaux, Director, Office of International Trade and Resources, State Department, in reply to our letter to him of May 14, which was taken from your telegram under reference.

2. We assume you will let us know whether the State Department's reply is satisfactory. In this connection, you will note that the United States' acceptance of the "substance of the agreement" is made conditional on (1) "the views of interested parties in the United States" and (2) "unforeseen developments ... which might significantly affect the basis of agreement ... worked out".

3. Text of State Department's letter is as follows: Text begins:

"Thank you for your letter of May 14 outlining the basis for agreement which we reached in our talks on potatoes. We agree with your statement of the substance of the agreement reached between us.

"We are pleased to learn that the responsible Canadian ministers have decided to defer action on the potato tariff for several months. We should like to express the hope also that conditions by then may have improved so that the need for any action may have disappeared.

"As we made clear in our discussions with you, we shall have to obtain the views of interested parties in the United States before we would be in a position to come to any definitive agreement and understand that your position is similarly qualified. Accordingly, the agreement outlined in your letter is subject to the receipt of such views. Further, we assume that both governments would wish to reserve the right to reexamine the substance of the agreement reached should any unforseen developments occur which might significantly affect the basis of agreement which we have worked out.

"We shall be glad to see whatever formulation of the wording of the proposed new Canadian tariff item you may ultimately develop." Text ends.

4. Please send copy of this message to Plumptre (Finance), Paterson (Trade and Commerce), Richards and Paige (Agriculture).[135]

[A.D.P.] HEENEY

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[135] Les fonctionnaires canadiens ont accepté la réponse du Département d'État, faisant observer que : « formally speaking we have somewhat similar reservations ». Ottawa à Washington, télégramme E-1045, 13 juin 1956, MAE 10579-40.

Canadian officials accepted the State Department's reply, observing that "formally speaking we have somewhat similar reservations." Ottawa to Washington, Telegram E-1045, 13 June 1956, DEA 10579-40.

213. DEA/10579-40

Extrait d'une note du sous-ministre adjoint du ministère des Finances
Extract from Memorandum by Assistant Deputy Minister of Finance

CONFIDENTIAL [Ottawa], December 26, 1956

. . .

Recent Developments

Recent developments have led to the conclusion that it is now desirable to go ahead with steps to provide for year-round protection for Canadian potato growers, even at the cost of a million bushels of the U.S. tariff quota. The U.S. election and the groundfish problem are out of the way; Canadian potato growers are pressing for action; and indications are that under present tariffs more potatoes would flow north than south in 1956-57. The 1956 Canadian crop is about the same size as last year, and the U.S. late-potato crop is 13 p.c. larger than last year. Moreover plantings in California and the South of early potatoes for winter and spring harvesting show a substantial increase. Accordingly preliminary steps have been taken to secure permission from the Contracting Parties to GATT to renegotiate the potato tariff as soon as possible.

Could the Package be Improved?

While last spring's package looked like the best obtainable in the circumstances, it has all along been recognized that there would be both economic and political advantages in preserving the U.S. tariff quota on seed potatoes intact if at all possible.

U.S. officials have now been sounded out informally in order to find out if it might be possible to preserve the seed quota by offering new concessions on products other than potatoes. It was found, however, that there is no basis for any such hope. We were told that if there is one thing about which U.S. potato growers would be adamant, it is involving any other commodities in negotiations relating to potatoes. If Canada is to raise her tariff on U.S. potatoes, then the payment must be made by giving up at least part of the U.S. quota on potatoes.

Our recent inquiries did reveal, however, that the U.S. Department of Agriculture is still very anxious to secure free entry into Canada for U.S. new potatoes during part or all of the present dutiable period from June 15 to July 31, inclusive. It was indicated that the U.S. might be willing to modify last spring's package if we would agree to let new potatoes come in free of duty through the month of June. Indeed, we were given reason to believe that the U.S. might be willing to reduce their tariff quotas by a total of only 1/2 million bushels rather than by 1 million bushels provided Canada would agree:

1. to extend through June 30, the period of free entry for new potatoes; and
2. to give up the escalator clause or accept its modification.

The above suggestion has been examined interdepartmentally by Canadian officials. It was agreed that the proposal should be brought to the attention of the Ministers, but its acceptance is not recommended.

Major objections to the proposal to extend the period of free entry beyond June 15 are:

(a) It has undesirable regional political implications. Ontario and British Columbia growers of early potatoes would lose part of the protection they now enjoy. They might feel that they had been sold out for the benefit of growers in other areas.

(b) The statistical evidence shows that potato imports in June are heavy (much heavier than in any other month of the year), and indicates that there might be a very sharp further increase if free entry were extended to the end of the month.

(c) Extending free entry to the end of June would aggravate the problem which to some extent already exists, of potatoes being brought in just before the duty goes on to be held in storage temporarily and then fed out gradually to potato buyers. By late June the Carolinas, Alabama and Virginia have reached the peak of their harvest and are supplying new potatoes which are relatively mature and which consequently carry better, handle better and can be stored longer than those available earlier. U.S. new potatoes and Canadian old potatoes are also usually more directly competitive price-wise during the latter part of June than earlier in the season.

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214. DEA/10579-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-101 Ottawa, January 21, 1957

CONFIDENTIAL. IMPORTANT.

POTATOES

1. The GATT Intercessional Committee has approved Canada's request for permission to renegotiate tariff item 83(a) relating to potatoes.

2. Please inform the State Department that the Canadian Government now wishes to formalize as quickly as U.S. procedures will permit an agreement regarding potatoes on the basis which was mutually accepted by U.S. and Canadian negotiators in Washington on April 26, 1956. The substance of this agreement was confirmed by your letter of May 14, 1956 to Mr. Thibodeaux and his reply dated May 23, 1956.

3. You will recall that it was agreed that the U.S. tariff quotas on potatoes would be reduced by a total of one million bushels, and it was left to Canada to decide how this amount would be apportioned between seed and table stock potatoes. At that time we suggested that each quota be reduced by 500,000 bushels, but we retained the option of reapportioning the reduction. After further consideration we should now like to propose that 60 p.c. of the reduction apply to seed and 40 p.c. to table stock, i.e. that the seed quota be reduced from 2 1/2 million to 1.9 million bushels and the table stock quota from one million to 600,000 bushels. Would you please enquire if this apportionment of the agreed total reduction is satisfactory to the U.S.

4. We understand that the U.S. Government will wish to give public notice of its intention to renegotiate the reciprocal commitment on potatoes and to allow 30 days for the submission of views and a further 7 days for the consideration of submissions before concluding a formal agreement.

5. Please confirm or correct the above time-table, and let us know on what date the U.S. notice of intention to renegotiate potatoes will be issued. We would appreciate receiving the text of the U.S. announcement in advance if possible.

215. DEA/10579-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 448 Washington, February 25, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Our Tel 426 Feb 21.†
Repeat Dept of Finance (for Annis)(Information)

POTATOES

Weiss has now given us their considered reply, which you will probably not find too helpful.

2. He points out that, in accordance with their established procedures here, they would not be in a position to make anything public until after presidential approval of the proposed changes in the tariff has been secured. They will not be able to request such approval until the public hearings have been completed and the results assessed.

3. Moreover, Weiss understands that, even if the package proposal still seems acceptable after the public hearings, there will have to be clearance with the Cubans on one of the rates involved (Weiss thought the Cuban concession related to table stock and involved both the rate of duty and the margin of preference). This might require some delay beyond that entailed in the ordinary USA procedures.

4. If, of course, something unforeseen emerges from the hearings and the package deal has to be reexamined with you, this might also delay matters.

5. It would therefore appear that, whether the package proposal stands or has to be altered, there may be more delay than either you or the State Department would wish in determining the final USA position or at least in making it public.

6. Weiss regretted that it was not possible to be more definite and hoped that you would appreciate their situation.

[A.D.P.] HEENEY

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216. DEA/10579-40

Le sous-ministre adjoint du ministère des Finances
au sous-ministre adjoint du ministère du Commerce

Assistant Deputy Minister, Department of Finance,
to Assistant Deputy Minister, Department of Trade and Commerce

CONFIDENTIAL Ottawa, March 15, 1957

Dear Mr. Isbister:

POTATOES

As you know, the United States Administration is now considering the representations made to their Committee on Reciprocity Information relating to potato tariffs.

We have heard rumours from Washington that the U.S. Administration may wish to reopen the "package deal" which was accepted last May (subject to unforeseen circumstances) when our group was down there. These rumours may be to some extent confirmed by the extreme reluctance which the United States Administration has shown during the past couple of months to give us any information on how quickly they can deal with the matter once the Committee has received its evidence and held its hearings.

Up to the present we have simply been pressing the United States to confirm the package deal as quickly as possible. However, it may be as well to take one more look at this package in the light of what emerged in the Committee.

You will already have seen the summary of this material which was prepared by our Embassy in Washington and contained in Telegram 579 of March 12.† However, for your convenience I attach another copy.

Earlier this week I had a visit from Mr. Les Burrows. He had been in Washington for several days and attended the public sessions of the Committee and read some of the submissions. He emphasized that, as far as he could find, practically nobody in Washington really wanted to cut the Canadian tariff quotas on table stock and seed. I would now gather from reading the Embassy summary that almost all the briefs were preoccupied with trying to head off the possibility of tariff adjustment up here and accordingly did not address themselves to the question of what compensation should be demanded in the event that we decided to go ahead. I have called this point to Mr. Burrows' attention.

Would you let me know whether, all things considered, you remain satisfied to press for acceptance of the agreed package or whether you would like to suggest any changes. I am sending copies of this letter to the other Departments concerned and would be glad to have their views also. If it turns out that anyone wishes to suggest changes, then I think we might have another potato party. Perhaps you would like to act as host on this occasion!

Yours sincerely,

A.F.W. PLUMPTRE

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217. DEA/10579-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-468 Ottawa, March 22, 1957

SECRET. IMPORTANT.

Reference: Your telegram No. 666 of March 21, 1957.†

POTATOES

This will confirm conclusions of interdepartmental meeting of officials as already telephoned to Ritchie from Plumptre.

2. The question of timing, emerging from your telegram under reference has been discussed with Mr. Harris. He must make a statement in the House before it prorogues and accordingly the statement must be given by the middle of the week after next; i.e., April third or fourth at latest. This, it seems, is our ultimate deadline.

3. There are three possibilities regarding the statement to be made in Parliament:

(a) a joint announcement in both countries of the "agreed package";

(b) the device originally planned for the budget raising the statutory duty but reducing it by Order in Council pending completion of negotiations; and

(c) unilateral Canadian action.

4. The views of officials here on these three possibilities are as follows:

(a) The adoption of possibility (a) would be by far the most desirable from every point of view. The new situation would be revealed as a whole, thus avoiding the danger of misunderstanding and disappointment from piecemeal introduction. Moreover it would maintain the tradition of Canada-US orderly handling of joint questions in the trade field.

(b) With regard to (b) we think that it is probably no longer practicable to announce further delay. The potato market, with which we are closely in touch, has been deteriorating. Prices have broken in the west and are weakening in the east.

(c) Thus, failing a joint announcement of the agreed package, we would be driven to an announcement of immediate unilateral action. This action would comprise 37 1/2¢ across the board but with free entry of new potatoes January first to June fourteenth. While this step would be, in form, unilateral, we would hope to cooperate with the US authorities to the fullest extent possible. In particular we would invite their comments on the proposed announcement and would hope to introduce in the announcement the flavour that, while a large measure of agreement had been reached, the exigencies of the legal and constitutional position on the two sides of the border made simultaneous action impossible. We would also hope, of course, to get maximum possible assurances that when the US side did act it would be in line with the package agreement.

5. In regard to GATT provisions, if we can adopt course (a) a joint notification to the Secretariat is required and we shall be sending you a draft† shortly. If we are driven to course (c) we would prefer, and we believe the US would also prefer, to continue to consider that we are acting under Article XXVIII, with an unfortunate inability to act precisely in unison. However, in the event (which we consider unlikely) that the US or other CP's challenged this position we will be prepared with a case under Article XIX. This is being prepared.

6. We feel sure that the US authorities will recognize that our need for urgent action is not based merely on political developments here. It is now a year since we explained to them in great detail why the government considered this to be a special problem requiring special action. Subsequently full and friendly agreement was reached on the nature of the action to be taken. This action has already been delayed longer than anyone would have anticipated at that time, and we have at last run up against our ultimate deadline.

7. There is one point on which we are not absolutely clear because the US has been keeping us rather at arms length recently. One million bushels was to be taken off the seed and table quotas, the distribution to be decided by us. While we originally talked of taking half a million off each, we later proposed six hundred thousand off seed and four hundred thousand off table. We are assuming that these latter figures are in the US mill at present. Can you confirm this?

8. We should remind you that this matter is a budget item and should be protected accordingly.

218. DEA/10579-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 775 Washington, April 3, 1957

CONFIDENTIAL. OPIMMEDIATE.
Repeat Dept of Finance (for Plumptre)(Information)

POTATOES

During the conversation on other matters yesterday afternoon with Dr. Hauge of the President's Executive Office, we indicated how important and urgent the potato issue had become in Ottawa. He was not at that time very familiar with the stage which consideration of the matter in the USA administration had reached. On checking with his assistant he ascertained that paper for signature by the President was "moving in his direction". We expressed the hope that it might be acted upon as quickly as possible.

2. This morning after a phone call from Plumptre, we spoke again with Dr. Hauge, when he was free from a meeting which he was having with the President on another subject. Later this afternoon he called back to say that he had now considered the paper and had sent it forward to Governor Adams for the President's attention. The President was away from his office at that time. Although Hauge could not give us an absolutely firm guarantee that the President would complete action before noon tomorrow, he indicated as his own judgment that the chances were good for action this evening or tomorrow morning.

3. In the light of this report, we checked again with the State Department officials who had been going over their timetable as a result of an enquiry made by us this morning. They have informed us that if presidential approval is secured by some time around midday tomorrow, they consider the chances for completion of the whole operation by Tuesday noon to be "pretty good". You can be sure that we shall keep after them as soon as we hear that action has been taken at the White House.

4. We shall endeavour to give you tomorrow the changes proposed by the USA in the joint notification document. Incidentally, since the issuance of a public announcement on Tuesday would have to be preceded by the signature of this agreement, possibly a day or two beforehand, we assume that you will give us the necessary authority to do the signing.

5. Postscript: Dr. Hauge has proven to be as good as his word. Shortly before six o'clock he phoned to say that a quarter of an hour previously the President had signed the necessary document. It now only remains for the other formalities to be completed prior to publication.[136] You may nevertheless wish to have the above chronology of the exchanges on this subject during the day for your records.

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[136] Voir/See United States, Department of State, *Bulletin*, Volume XXXVI, No. 933, May 13, 1957, pp. 773-774.

Pour prendre connaissance de la déclaration de M. Harris sur le tarif canadien révisé applicable aux pommes de terre, voir Canada, Chambre des Communes, *Débats*, 1957, volume III, pp. 3275 à 3276.

For Harris' statement on the revised Canadian tariff on potatoes, see Canada, House of Commons, *Debates*, 1957, Volume III, pp. 3131-3132.

SECTION H

BIÈRE
BEER

219. DEA/3300-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-445 Ottawa, March 9, 1956

CONFIDENTIAL

Reference: My immediately preceding telegram.†

STATE LEGISLATION AFFECTING THE MANUFACTURE AND SALE OF BEER

Mr. E.P. Taylor, Chairman of the Board of Carling Brewing Company Inc. (a Virginia company 99% owned by Canadian Breweries Ltd) accompanied by Mr. Ian R. Dowie, President of this company, and several advisers called on the Minister March 6 to discuss the legislative attempts being made in several states to discriminate against brewing companies in which the controlling interest is held by persons not citizens of the United States.

2. They outlined the history of this company since Canadian Breweries Ltd. gained control of it and altered its name from Brewing Corporation of America. Sales had increased from 300,000 barrels to 3 million barrels. It was now providing 4% of total United States production; it was the eighth largest producer and still advancing. Mr. Taylor said this progress was a result of the application of modern methods, and was not fostered by unfair practices.

3. Mr. Taylor said that the real reasons why Carling was unpopular with the other U.S. breweries were this steady growth and the fact that while not indulging in price-cutting, the company refused to participate in price-fixing arrangements. Two other reasons were also cited, the high Canadian tariff on United States beer, and the unwillingness of the provincial liquor boards to list it. These in Mr. Taylor's opinion were "red herrings". The United States industry was not really interested in exporting to Canada.

4. Mr. Taylor believed that a plot to encourage discriminatory legislation in individual states had been hatched at a meeting of the United States Brewers' Foundation in January. In Maryland a bill had now been passed by both Houses which would prohibit Carling from establishing a brewery there. It was still possible that the Governor would veto the bill. The press and most public bodies were opposed to the bill.

5. Bills had been introduced in New York and Pennsylvania which would effectively prohibit the import into these states of Carling's products produced in other states. (The 21st Amendment of the U.S. Constitution has apparently been interpreted so as to leave any state free to regulate the trade in beer and liquor as it sees fit, even where inter-state commerce is concerned). A bill had also been introduced in New York designed to prohibit the issuance of a brewer's license to Carling. Although all these bills were drafted in general terms they were in his opinion intended to apply solely to Carling, which was the only brewery that could be affected.

6. Mr. Taylor said the Carling Brewing Company was doing what it could to discourage these activities. It was employing registered lobbyists and the best counsel, and was even considering taking civil action against the other brewers under the anti-trust laws. He believed, however, that it would be helpful if the Canadian government were to express some concern to the United States authorities. There was a danger that these state activities would set a precedent that might be applied to distilling and other industries.

7. Mr. Pearson pointed out that our interest would be in the protection of Canadian investors as such, not the protection of a United States company. The situation was complicated by the fact that the complaints concerned state rather than federal acts, and we had to consider what position we might be in if faced with representations from the U.S. government with regard to such matters as provincial liquor regulations or practices. He indicated that we could however make enquiries in Washington on the basis of reports in the press. These enquiries might stimulate some interest in Washington in the principles involved. We would also consider whether it would be wise to make informal representations to the United States authorities. We certainly shared Mr. Taylor's view that the example set by legislation of this kind could have serious consequences.

8. Mr. Taylor appeared to be satisfied with this. He undertook to send us a brief on the whole subject.

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220. DEA/3300-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 488 Washington, March 15, 1956

CONFIDENTIAL

Reference: Message E-445 Mar 9/56.

RESTRICTIONS ON THE SALE OF BEER — STATE LEGISLATURES

The New York Consulate General has provided us with some specific information concerning the legislation that has been introduced into the state legislatures of New York and Pennsylvania.

2. From this information it seems almost certain that legislation in neither House would actually affect imports from Canada or other countries. The wording is to the effect that no person holding a license shall transport or import into the state in question any beer that is brewed by a corporation licensed by another state that is not 51 percent owned by US citizens, or (in the case of New York) citizens of a country having treaty of reciprocity with the United States.

3. It is not absolutely clear from the wording of the bills if the word "state" definitely confines the restriction to a state of the union. However, there seems to be little doubt that the intent of the legislation is not aimed at imports from outside of the US.

4. In the State of New York two bills have been introduced by Senator Van Lare, Nos. 3236 and 3237. The latter is the bill providing for the restriction on "transportation and importation" into New York State and the former is similar to the Maryland legislation, and requires 51 percent US ownership of any brewery established in the State of New

York. Both bills were introduced into the State Legislature on the 21st of February. No. 3237 was read before the Senate and sent to the Committee on Excise. No. 3236 may not yet have been formally introduced into the Senate, but we have no precise information on it.

5. The Bill for Pennsylvania is HB 2026, and was introduced on the 21st of February by Senator Readinger and Assemblyman Smith to the General Assembly. This bill has also been sent to committee and there has been no action on it up to the present time.

6. The New York Consulate General advised that it is the general opinion that neither the New York nor the Pennsylvania bill is likely to be acted upon during the current sessions. This generally hopeful forecast is also supported by the State Department officials who are watching these cases.

7. In regard to the Maryland situation, the Governor is holding conferences on Wednesday and Thursday, with both the proponents and opponents of the legislation. There is no further indication as to what action the Governor is likely to take but presumably he will not reach his decision until he has considered whatever the two sides have to say to him during the conferences.

8. In the meantime, the *Baltimore Sun*, and also the *Washington Post* have been carrying both editorials and news articles that are most critical of the legislation. However, the *Baltimore Sun* also carried a long letter from the Secretary-Treasurer of the Associated Breweries Incorporated, of Baltimore, defending the bill. In addition, in the Saturday issue of the *Baltimore Sun* the associated breweries carried a full page advertisement of an open letter to the citizens of Maryland that is designed to show the facts that lead up to the introduction of the bill in that state. This open letter is based on the investigation carried out by the Canadian restrictive trade practices [group corrupt] Breweries Limited, which is designed to support their contention that the associated breweries are endeavouring to keep out of the State of Maryland a corporation that has monopolistic tendencies. They quote at length from the Commission's report, showing how the acquisition of breweries in Ontario resulted in the closing down of these operations. The letter also refers to the recommendations by the Commission that the Department of Justice should prevent Canadian breweries from expanding further by the acquisition of the assets or the controlling interests in the capital stock of any of its remaining competitors in Canada.

9. They also repeat the criticism against the provincial Liquor Commission's refusal to buy American been under the general title of "Canadians ban US beer."

10. We are sending you in the mail a copy of the Associated Breweries Inc.'s letter to the *Baltimore Sun*, since this letter does carry a number of points that illustrate certain weaknesses in our position. These weaknesses are referred to in paragraph 3 of your E-445. In commenting on the claim that such a bill would be contrary to the furtherance of international goodwill, and would be an unfriendly action towards Canada, the letter points out that "Pennsylvania and Alabama have for many years provided the corporations owning breweries must be at least 51 percent owned and controlled by United States citizens." The letter goes on to point out that no international crises have resulted from this situation and wonders, in effect, why so much fuss is being made over the Maryland Bill.

11. The letter also points to the fact that the Province of Quebec has consistently refused to issue import licenses to any American brewer and quotes the provincial Liquor Control Commissioner as having stated that "There is no need to import beer since Canadian breweries have ample production."

12. We would agree with Mr. Taylor where he states that these are red herrings. Nevertheless, they do provide grounds for complaint on behalf of American breweries. We are

convinced that as long as these herrings are allowed to remain in our cupboard we will always be in a difficult position when trying to argue against discriminatory legislation such as illustrated in these state bills. In time, even red herrings tend to become odoriferous unless they are dealt with, and we believe that in our overall interests if there is anything that can be done to persuade the liquor commissions, particularly in the provinces of Ontario and Quebec, to have a trial run with American beer, it would pay off in the long run.

13. We are, of course, aware of the fact that the Ontario Liquor Commission's defence is that they have had American beer in the past and that they could not move it. This may well be so, but we also understand that this was an experiment carried out some years ago when exports of Canadian beer to the United States were not anything like as large as they are now.

14. It seems to be generally admitted that there is nothing unconstitutional about any of these bills, since under the Twenty-Fifth Amendment the sale and distribution of alcoholic beverages is clearly established as the prerogative of the governments of the different states. While similar bills that did not deal with alcoholic beverages could be ruled as unconstitutional, in the case of alcoholic beverages the states have the right to do as they please.

15. Even if nothing comes of the bills that have been introduced into the States of New York and Pennsylvania, and if the Governor of the State of Maryland vetoes the bill under discussion, we believe that imports of beer from Canada, and the operation of Carlings in the US will be continually under attack until we can dispose of the red herrings. Since the disposing of the red herrings seems neither to be unreasonable nor to promise any serious effect on the sale of Canadian beer in Canada, we should think that it would be very much to our overall advantage for the Liquor Commissions in Quebec and Ontario to call the bluff of the American breweries by agreeing to purchase some beer in order to test the implications that it can be sold in Canada.

[A.D.P.] HEENEY

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221. DEA/3300-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 524 Washington, March 20, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Our 488 Mar 15.

RESTRICTIONS ON THE SALE OF BEER — STATE LEGISLATURES

1. The Governor of Maryland has still not given any signs as to the action that he proposes taking in the bill under consideration. However, a few days ago, nine members of Congress from the States of New York, Maryland, Pennsylvania, Michigan and New Jersey sent a complaint to the State Department accusing it of unwarranted "encroachment" on the efforts by Maryland to keep out a Canadian brewery. The State Department was apparently accused of using its "power and prestige" in behalf of a Canadian monopoly which is

bending every effort to prevail upon the Governor of a State to veto a bill passed by an overwhelming majority in both Houses of its General Assembly.

2. Evidently this letter from the Members of Congress has struck a sensitive nerve in the State Department. We were told privately a few days ago that the State Department would be calling upon us within a few days in order to present to the Canadian Embassy United States views concerning the way in which the provinces in Canada hinder the legitimate importation and sale of American beer. They said they would like us to know in advance that this sort of approach would be made to us so that we would be in a position to comment on the situation when they saw us.

3. We have just now been asked if we would go to the State Department at 2.30 on March 21st in order to discuss this question. If you have any particular views that you would like us to put forward to the State Department when they make their "complaint", we would be glad to receive them before that date.

4. We think that we are capable of meeting any complaint the State Department can make to us. We would propose to first of all suggest that there are no grounds for tying in state legislation designed to restrict capital investment with the problem of imports. We would then go on to point out that, as the State Department well knows, the importation and sale of beer in Canada is entirely the prerogative of the provinces. However, this is a problem that has been discussed with the provinces on several occasions and in the case of Ontario they have pointed out that they have on occasions bought certain quantities of United States beer but they could not sell it within a reasonable time. In other words, there did not appear at that time to be any large demand for American beer in Canada, either from Canadians or from United States tourists.

5. If the State Department refers to the question of the higher duty on Canadian beer, we would first point out that we do not accept the argument that there are any grounds for equalization of duties on any one particular article between countries. For example, the Canadian duty on United States whisky is lower than the United States duty on Canadian whisky. We would then point out that we understand that the United States negotiators propose to ask us to lower the duty on beer during the current negotiations at Geneva. Presumably, this item will be negotiated and we may express the hope that a satisfactory agreement would be reached on the duty on Canadian beer.

6. We would, of course, agree to accept any statement that they would wish to give us in relation to this problem on the sale of beer in Canada and forward it to you.

[A.D.P.] HEENEY

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222. DEA/3300-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 550 Washington, March 22, 1956

CONFIDENTIAL

Reference: Our message 524 Mar 20/56.

SALE OF US BEER IN CANADA

As advised in the message under reference, we had a fairly long discussion with the State Department yesterday afternoon. We were pleased that the State Department opened the discussion by deliberately disassociating the question of imports of American beer into Canada from the proposals in the Maryland legislature to prohibit the establishment of a brewery in that state that is not 51 percent American owned. They emphasized that, regardless of what we could or could not do in relation to the problem of importing American beer into Canada, the State Department would continue to oppose vigorously any legislation of the type that has just been vetoed in Maryland, or that has been proposed in the States of Pennsylvania and New York to limit the sale of beer by foreign owned breweries in the US.

2. Evidently the State Department officials had a long meeting with the nine members of Congress who addressed the letter to the State Department (which we referred to in paragraph one of our [telegram] under reference), together with representatives of American brewing interests. At that meeting the question of restriction on capital investment in the US and the so called restrictions on imports of beer into Canada were linked up by the representatives and by members of the trade. Nevertheless, the State Department made it clear to us that they had emphasized the fact that the two subjects must be unrelated and dealt with separately. In wishing to talk to us about the "plight" of American beer in Canada, they thought that they had been somewhat remiss in not having informally brought up this question before they had become embroiled with the State of Maryland over the Carlings position.

3. The arguments put forward by the American brewing interests, and repeated to us by the State Department, were along familiar lines. The State Department, of course, is well aware of the fact that the sale and importation of beer in Canada is the prerogative of the provinces, although they were not fully informed concerning the restrictions on the retail sale of beer in Canada. They wondered to what extent it is true that the real problem concerning the sale of American beer in Canada is that Canadians do not like American beer. They thought that perhaps this might be an excuse for preventing free competition. However, we drew their attention to the fact that the Liquor Commission of Ontario, specifically, had at times imported American beer but had found it difficult to move and consequently were in a position to claim that it was not an article that had ready sale and therefore, for purely commercial reasons, they did not wish to repeat the experiment. On the other hand, the publicized statement by the Quebec Liquor Commission, to the effect that since Quebec had adequate supplies of domestic beers they did not need to import beer from the US, suggests to the State Department that the principal argument in defence of the Canadian position may not be wholly supported by the facts.

4. The State Department also asked us whether we thought that perhaps the reason the beer had not been sold readily in Ontario was that it had been offered for sale at too high a price, either as a result of higher customs duties, or because of higher mark-ups in the Liquor Commission. In answer to this argument, we pointed to the fact that Canadian beer sells in the US at prices considerably above domestic beer and that, in spite of this, it is still sought after by Canadian tourists coming to the US, which is supported by the fact that the consumption of Canadian beer along the border seems to increase materially on Canadian holidays which do not coincide with US holidays. We agreed, however, that the real question was not whether or not American beer would or would not be popular in Canada, but whether the Liquor Commissioners were in fact making it possible to give the Canadian thesis a thorough-going test.

5. During the meeting of the State Department officials with the brewery officials, a representative for Budweiser made the claim that they had been trying to establish a brewery in Canada for some twenty years but that they had been effectively prevented from doing so. In passing this information to us the State Department emphasized that they did not wish us to take any cognizance of that particular claim since they admitted that they had not been able to obtain any evidence to support the claim, nor could they indicate in what way Budweiser had been prevented from carrying out their plans. They mentioned it, however, because they are looking into the claim by Budweiser and if they can obtain any facts from them they might be in touch with us again on that particular aspect of the problem.

6. We informed the State Department that we would be glad to forward their comments to you and we were confident you would take them under advisement and consider what action could be taken to help in settling this unfortunate dispute.

7. We drew the conclusion that the State Department were, in fact, appealing to us to try to give them some ammunition with which they could effectively continue to challenge the various moves in the different states that tended to restrict the free development of Canadian capital investment in this country, or to in any way interfere with the legitimate importation of beer from Canada. It seems clear that they were put under very strong pressure from the politicians and from the industry. It will probably be difficult for them to continue to back up our position unless they can show that the real difficulty in selling American beer in Canada lies in the fact that American beer is not really a saleable product.

8. The State Department will be expecting to hear further from us as to what action, if any, you are able to take. As mentioned in our message 488, of the 15th of March, we believe that it would be in our own interests if the Liquor Commissions would undertake to make a test with small shipments of US beer. We do appreciate that you are in a difficult position vis-à-vis the provinces, in the same way the State Department was faced with a difficult problem in making representation to the State of Maryland. However, if nothing is done by the Liquor Commissions we will have to accept the possibility that ways will be found to restrict unfettered imports of beer from Canada or to seriously interfere with the operations of Carlings in the US. We do appreciate that the Liquor Commissions cannot be expected to stock products for which there is no sale, but the financial risk involved by experimental purchases (it might even be that the US breweries would be prepared to ship on consignment) would be relatively small and in our view a small price to pay to insure the future stability or expansion for a valuable market for a Canadian product or for a healthy climate in which a Canadian capital investment may flourish.

[A.D.P.] HEENEY

223. DEA/3300-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1139 Washington, June 14, 1956

CONFIDENTIAL

Reference: Our tel 878 May 11/56.†

CANADIAN RESTRICTIONS ON BEER

1. On June 12, we were called to the State Department to discuss with them what we had been able to do to persuade the Liquor Commissioners to at least undertake token purchases of USA beer. Before going to the State Department, in the lack of any instructions from you as to what we should say, we were able to discuss the question with Maurice Schwarzmann, Department of Trade and Commerce.

2. While we thought that our position vis-à-vis the State Department was relatively weak inasmuch as we could not give them any assurance that we had directly approached the Liquor Commissioners, particularly of the provinces of Quebec and Ontario, we believe that we were successful in satisfying the State Department that we had in fact done a considerable amount of useful propaganda that it is hoped will produce desired results.

3. Before indicating to the State Department what had been done on this question, we asked if they could first of all advise us whether or not the present enquiry had resulted from further pressures from the brewing interests in the USA and specifically if the enquiry was related to the reduction in duty given to the USA in the recently concluded GATT negotiations.

4. The State Department were very frank in telling us that they had just completed a meeting with the USA Brewers Association in which that Association had complimented the State Department on their success in obtaining such a satisfactory reduction in Canadian duties but went on to emphasize that this reduction, without a change of heart on behalf of the various Canadian Liquor Commissioners, was of no use to them whatsoever. Although we have not seen it, the same Association issued a press release reflecting these ideas.† The Association evidently then asked the State Department if they could report what success they had had in their approach to us and it was principally because of that meeting that the State Department wanted to know what we had done to help remove the reluctance of the Liquor Commissioners to give American beer a chance in the Canadian market.

5. The State Department went on to say that, in their opinion, the situation was becoming particularly embarrassing. In addition to this meeting with the Brewers Association, the Detroit Board of Commerce has written a letter to the President urging him to take up this question direct with Mr. St. Laurent.† The State Department are particularly concerned with this approach of the Detroit Board of Commerce because that board has been one of the most consistent and foremost supporters of the President's liberal foreign economic policy. It was that body that lobbied for the successful amendment to the customs law which enabled USA iron and steel manufactures to be further processed in Canada and returned for finishing to the USA on the payment of duty only on the cost of further

processing. This, we understand, has resulted in a useful and expanding measure of business particularly in the Detroit area. Because of the support for this liberal trading policy by the Detroit Board of Commerce, particularly in relation to trade with Canada, the State Department evidently believe that this direct approach to the President will carry a more than usual amount of weight. They would clearly wish to be able to advise the President that the Canadian Government has taken active steps to correct this situation and so avoid the necessity of the President having to deal positively with this relatively unimportant matter.

6. In addition they told us, for our own information which should not be passed on to the Canadian brewers, that the beer lobby in Maryland is believed to feel confident that they have mobilized sufficient support in the Maryland legislature to override the Governor's veto of the beer legislation next January.

7. In discussing with the State Department what action the Canadian Government had been able to take, we emphasized that we had made it known to the Canadian brewing interests the danger that is entailed by the continued refusal of the Liquor Commissioners to stock even a small quantity of American beer. Moreover, we were confident that, although we had not ourselves directly approached the Liquor Commissioners on this subject, they have been fully appraised of the situation and we were hopeful that they would now favourably consider the possibility of making some purchases of beer. We went on to point out that even if we had approached the Liquor Commissioners directly we could not have expected them to give us any actual assurance that they would buy American beer since the Liquor Commissions are autonomous bodies and operated as commercial organizations. The question of what stocks they should carry was decided on normal commercial considerations (principally whether or not there would be a demand for the products that would be offered for sale).

8. We further stated that now that the duty had been reduced from 50 cents to 15 cents, it seemed apparent to us that USA brewers would be in a relatively strong position in approaching the Liquor Commissioners at this time to point out that they could not longer claim without reservation that there is no demand for American beer in Canada since the beer could now be offered at a price which was below the level at which it was formerly offered for sale when it was claimed that there was no sale for it. The State Department asked us if we thought the Liquor Commissioners would be open to accept consignments of beer in the event that any USA brewery would be interested in trying to break into the market on that basis.

9. We were unable to give any firm answer to this question but suggested that it would be one useful method to be adopted by the brewers as evidence of their conviction that their beer would find some measure of demand in Canada.

10. We further pointed out that we were confident that now that the duty on foreign beer had been satisfactorily reduced, the Liquor Commissioners would be under pressure from German, Danish and Dutch beer exporters to stock their products. It was, therefore, of the utmost importance that the American brewers should be advised to immediately attempt to sell their beer to the Liquor Commissioners. If it was found that they received an entirely negative reply from these commissioners, we then urged the State Department that they should inform us of the fact when we would be pleased to examine the situation and see what further steps could be taken to help.

11. We also advised the State Department of the fact that we were studying what could be done to reciprocate the arrangement for the posting of bond on the import of returnable bottles. We were careful, however, to point out that we were unable to promise that we

would be able to do anything in that particular line, but at least we were giving sympathetic consideration to the possibilities.

12. Domestic brewers had evidently suggested to the State Department that advertising in Canada by foreign brewers was prohibited in Ontario and Quebec. We, of course, pointed out that the rules for advertising were the same whether or not the brewery was Canadian or of foreign origin so that there was no unfair advantage on that score than was available to Canadian companies.

13. It was pointed out previously that we believe the State Department were entirely satisfied with the efforts that had been made on their behalf. They agreed that they would immediately inform the USA breweries that they should approach the Liquor Commissioners with offers of beer and they readily agreed to keep us informed if the result of this approach proved to be negative.

[A.D.P.] HEENEY

SECTION I

RESTRICTIONS DES ÉTATS-UNIS SUR LES IMPORTATIONS
UNITED STATES RESTRICTIONS ON IMPORTS

224. DEA/6780-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1834 Washington, October 12, 1956

CONFIDENTIAL. IMMEDIATE.

GROUNDFISH FILLETS; TARIFF COMMISSION REPORT

Today the Tariff Commission released its escape clause report on groundfish fillets. The Commission unanimously found that as a result in part of the customs treatment reflecting the concession granted in GATT on January 1, 1948, groundfish fillets are being imported into the USA in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry. The Commission recommends that the duty on the imports that enter under tariff quota be increased from 1 7/8 cent per pound to 2.8125 cents per pound and that the duty on imports that enter in excess of the quota be increased from 2 1/2 cents per pound to 3.75 cents per pound.

2. I assume that you will be instructing me to submit a note couched in the strongest terms to the USA Government protesting against this increase in duty on imports of groundfish fillets and that this be done at the earliest possible time.

3. As you know, the President is permitted by law to withhold his decision for 60 days. However, due to political pressures that may be brought to bear before the election, it is quite possible that he may be induced to make his decision at a very early date. So we may not have much time to get our protest in.

4. To make sure that the importance to Canada of this decision is brought home to the White House, I would propose, after presenting the note, to call personally on Gabriel

Hauge, the President's principal adviser in these matters, so as to give all the emphasis we can to the serious effect that the implementation of these recommendations would have on our commercial relations.

[A.D.P.] HEENEY

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225. DEA/6780-40

Note de l'ambassadeur aux États-Unis

Memorandum by Ambassador in United States

CONFIDENTIAL [Washington], October 15, 1956

GROUNDFISH FILLETS; REPORT OF THE U.S. TARIFF COMMISSION

On Friday evening, October 12th, Mr. Ritchie telephoned me from Ottawa to say that it was expected that Mr. Howe would wish to speak that evening to Governor Adams to impress upon the White House the gravity with which the Government had learned of the recommendation of the U.S. Tariff Commission made public earlier that day. I said that meantime I would speak to Adams myself and emphasize how important it was for us that the President should not act upon the Commission's recommendation until we had had an opportunity of putting the Canadian case.

2. Later that evening I got in touch with Adams. He said he would be glad to talk to Mr. Howe when he called. The following morning, October 13th, Adams telephoned me to say that Mr. Howe had not yet reached him but that he had looked into the question and that I could assure Mr. Howe:

(a) That the President would not make a decision on the commission's recommendation for some while (I took this to mean until after the U.S. Election).

(b) That there would be no precipitate decision made and what we would have plenty of time to present our views to the U.S. authorities.

(c) That when we did submit our case we could be certain that it would receive sympathetic consideration.

3. Later the same morning, October 13th, Adams telephoned again to say that Mr. Howe had reached him and that he had given the same responses which he had communicated to me earlier. When I spoke to Ritchie that evening, he said that Adams was reported to have been more categorical with Mr. Howe in stating that the President would not act until after the Election. I recommend to Ritchie that, despite our success in having action deferred, our note of protest should not be delayed but put in to the State Department early the following week. I also said that after presentation of the note I would consult Adams and arrange to see him and/or Hauge, as I believe that the White House and not the State Department would have the principal influence in advising the President.

A.D.P. H[EENEY]

226. DEA/6780-40

Note du chef de la Direction économique pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division, to Under-Secretary of State for External Affairs

SECRET [Ottawa], October 16, 1956

U.S. TARIFF COMMISSION'S RECOMMENDATIONS ON GROUNDFISH FILLETS

On Sunday Mr. St. Laurent apparently had lunch with Mr. Donald[137] Gordon, who mentioned to him a conversation which Mr. Gordon had had with Mr. Bull about developments relating to the tariff on this commodity. After his return to Ottawa on Monday Mr. St. Laurent called Mr. Bull and enquired about the current situation. Mr. Bull told him briefly that Mr. Howe had telephoned Mr. Sherman Adams and that Mr. Heeney had also had talks with Mr. Adams. Mr. Bull also mentioned that it was intended to submit a note to the State Department for the record.

2. Mr. St. Laurent was quite concerned about the possibility of some action being taken by the United States and suggested that he himself might also telephone Governor Adams, whom he knew quite well from earlier days. He thought he might do this without showing any awareness of the earlier conversations which others have had with Mr. Adams. He would mention to Mr. Adams that he had just returned to town and that he wanted to let him know how great his anxiety was about the possibility of action being taken which would have most upsetting effects in Canada. According to Mr. Bryce the Prime Minister did call Mr. Adams late on Monday and Mr. Adams confirmed the points he had made to Mr. Howe. He said he had told Mr. Howe this problem could be taken out of our "worry book". He had also assured Mr. Howe that no decision would be taken for a considerable time and that we would be given ample opportunity to express our views which would in turn be considered very sympathetically.

3. Mr. St. Laurent told Mr. Bryce that the conversation was very friendly in tone and that he was reassured by Mr. Adams' remarks.

A.E. RITCHIE

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[137] Note marginale :/Marginal Note:
or it may have been Walter [Gordon] A.E. R[itchie]

227. DEA/6780-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM EE-73 Ottawa, October 16, 1956

CONFIDENTIAL. MOST IMMEDIATE.

UNITED STATES TARIFF COMMISSION'S RECOMMENDATIONS ON GROUNDFISH FILLETS

In the light of the various conversations over the past weekend and of the messages received from you we would now propose that you should present a note to the State Department as soon as possible. We agree with your suggestion that this note should also be drawn to the attention of the White House. The following is the text which you might submit: Text begins.

The Canadian Ambassador presents his compliments to the Secretary of State and has the honour to refer to the report of the United States Tariff Commission on groundfish fillets which was made public on October 12. The Canadian Government has noted with concern the recommendation that import duties applicable to these products should be substantially increased.

The catching and processing of groundfish are major sources of livelihood in the Atlantic provinces of Canada. Four-fifths of the output of the Canadian fillet industry are sold in the United States. The return to Canadian producers is, therefore, materially affected by the level of the United States tariff, and serious damage would be done if the recommendations of the Commission were to be implemented. Quite aside from trade, one of the unfortunate consequences would be that Canadians would regard such measures on the part of the United States as contrary to the underlying purposes of efforts which have been made to deal with complex problems in the North American fisheries through co-operative joint measures.

In successive trade agreements between Canada and the United States, the United States tariff on groundfish fillets has occupied a position of central importance. The United States Government has undertaken to extend tariff concessions to Canada on these tariff rates and Canada has paid in full for these concessions within the framework of balanced negotiations. If the United States tariff on groundfish fillets were to be increased, thus seriously affecting the balance within the trade agreement, there would be a strong reaction across Canada, and particularly in the Atlantic provinces where many groups would be directly or indirectly affected. Moreover, this is such an important item in the trade agreement that if it were to be altered in this manner, businessmen in both countries would not then be able to feel confident about their future status under other provisions of the agreement.

In recent years, the Canadian Government has on several occasions stated its views to the United States Government on this same subject when comparable issues were involved.[138] The Canadian Government would wish to draw attention to such past statements as amplifying its present views. Nothing in this note should be taken to affect the rights or obligations of the respective governments under the General Agreement on Tariffs and Trade with respect to this matter not to constitute proceedings under that Agreement.

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[138] Voir volume 20, document 527 et volume 19, les documents 849 et 851.
See Volume 20, Document 527 and Volume 19, Documents 849 and 851.

In the light of the foregoing considerations, the Canadian Government confidently hopes and believes that the President will not take the action recommended by the Commission. Ends.[139]

228. DEA/2057-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1855 Washington, October 16, 1956

CONFIDENTIAL
Reference: Our Tel 1692 Sep 18.†

PETROLEUM IMPORTS INTO THE USA

When I saw the Under Secretary of State this morning concerning the Tariff Commission's recommendations on groundfish fillets, he said when we had finished our discussion on that subject that he "would now like to turn to something more pleasant".

2. Hoover then went on to tell me how pleased he was that it had now been agreed between the USA Government and the petroleum industry that Canadian oil would be regarded as on all fours with domestic production in the USA. That was to say, he went on, that Canadian oil would not be included in the restrictive schemes worked out between the Office of Defence Mobilization and the representatives of the USA industry. We would, he thought, hear no more of the argument, in regard to oil, that a Canadian supply could not be relied on in the event of a national emergency. This, he believed, was a great advance and one which we would welcome.

3. A couple of weeks ago Chappell had learned from Stewart, Director of Oil and Gas, Department of Interior, that the task force of the Presidential Advisory Committee on Energy Supplies and Resources Policy were making recommendations to this effect to the Cabinet committee (of which Hoover is Chairman). Stewart told Chappell that the task force's recommendation did not make similar exemptions for Venezuela or for any other country, and went on to observe that when the new formula and the Canadian exemption were made public the trans-mountain pipeline might consider a further increase in capacity.

4. The above info is, of course, directly relevant to the demand of the domestic oil industry for a hearing by the Director of Defence Mobilization under Section 7 of the Trade Agreements Extension Act regarding petroleum imports.

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[139] Une note allant largement dans le même sens que ce texte a été envoyée au Département d'État des États-Unis le 16 octobre 1956. Cette note portait le numéro 670.
A note substantially along the lines of this text was presented to the U.S. Department of State on October 16, 1956. It was numbered 670.

5. You will no doubt wish to give a copy of this message to the Department of T & C. Chappell has been keeping the Deputy Minister of Defence Production informed of developments from time to time.

[A.D.P.] HEENEY

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229. DEA/6780-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador to United States
to Secretary of State for External Affairs

DESPATCH NO. 1709 Washington, November 29, 1956

CONFIDENTIAL

U.S. TARIFF COMMISSION'S RECOMMENDATION ON THE IMPORT OF GROUNDFISH FILLETS

On the afternoon of November 21st Smith and Gilbert saw Gabriel Hauge, Special Assistant to the President, at which time the Tariff Commission's recommendation on the raising of the duty on imports of groundfish was discussed.

2. In opening the conversation Smith emphasized the serious consequences, both politically and economically, to Canadian trade of any increase in duty on exports of groundfish to the U.S.

3. Hauge seemed interested in an account of Gilbert's recent tour of Boston and Gloucester in which he said that a unanimous opinion was not even held by the processers concerning the Tariff Commission's recommendation. There were those who totally opposed it and there were those like Fritz Bundy of Gorton-Pew's who felt that an increase in the duty could be charged against the final price of fish to the consumer. It was pointed out that this was a fact which was not firmly established and the Canadians feared that the increase would have to be absorbed in part, if not wholly, by the Canadian processors and fishermen.

4. Hauge admitted he had had several visits from those who had been responsible for the application to the Tariff Commission for a hearing and in these interviews they had tried to impress upon him the fact that the reason given by the President for not accepting the Tariff Commission's recommendation in 1953 that the new fish stick industry would possibly solve the problems facing the industry, had not turned out to be true. He also reminded us that this time the Tariff Commission's recommendation was unanimous whereas in 1953 it was a 4 to 2 decision (in fact it was 3 to 2). He also said it was necessary to remember that the wording of the Tariff Commission's recommendation is "that as a result *in part* of the customs treatment reflecting the concession granted in the General Agreement on Tariffs and Trade, etc." and added it could hardly be denied that the imports of groundfish are *in part* threatening or causing serious injury.

5. It was emphasized to Hauge that one point which troubled us was that the Tariff Commission's report mentions there are a number of causes for the distress of the domestic industry but that the Commission is considering only the effect of increased imports. A reader of the report would be inclined to forget the other causes and be persuaded that imports are the sole cause of injury. To this Hauge replied that the recent amendment to the

Trade Agreements Extension Act with respect to imports is now worded "have *contributed substantially* towards causing or threatening serious injury to such industry".

6. Up to this time of the conversation we were inclined to be somewhat pessimistic as to the recommendation the President's adviser might make concerning acceptance or non-acceptance of the Tariff Commission's recommendation. However, we were able to leave the interview with a somewhat more optimistic outlook when Hauge made mention of the new law passed by Congress — the Fisheries Act of 1956 (reference our numbered letter 1168 of August 16, 1956†) — which he remarked might be a better way of solving the New England fisheries problems than anything that had been done heretofore. Moreover, there were various nations, along with Canada, such as Iceland, Norway and Denmark, who were also concerned with the final outcome. Lastly he referred to the President's directive that, when considering problems respecting trade with Canada, every effort to see that a solution satisfactory to both parties should be found. He told us that the Administration was fully mindful of the Canadian position and the importance to Canada of groundfish exports to the United States.

7. In summary it can be said that the purpose of our visit was to reiterate once more the importance to Canada of the U.S. groundfish market, not to attempt to obtain an indication of the advice that would be given to the President on the Tariff Commission's recommendation. As it turned out we were given every reason to believe that a decision on this is yet to be reached since Hauge told us that he had not received reports from all government agencies concerned.

8. Hauge gave us a sympathetic hearing but made plain to us how much more difficult it now is for the President to reject the Tariff Commission's recommendation than it was in 1953. Last time the President in turning down the Tariff Commission's recommendation said there were other causes, along with imports, for the difficulties facing the New England fisheries but "the great unsolved problem of this industry has been how to expand its markets". He cited the new commodity "fish sticks" as a possible way of solving this problem. This, according to the experience of the last three years has not proven to be the case. In addition, with the new Escape Clause provision of the Act, it is now necessary to show only that imports "*have contributed substantially* towards causing or threatening serious injury" (Trade Agreements Extension Act of 1951 as amended, Section 7 (b)). Previously it was necessary to show imports were the primary or sole cause.

9. On the favourable side to Canada is the strategic importance of Iceland, a country which with Norway, Denmark and West Germany, is also concerned with maintaining the status quo. As Hauge mentioned these countries during our conversation, we realized the Administration is mindful of this fact. To be added to the points to be listed in our favour is the Fisheries Act of 1956 and the attitude taken by the President of Canada's preferred position as a trading partner of the U.S.

A.D.P. HEENEY

230. DEA/6780-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 50 Washington, January 9, 1957

CONFIDENTIAL. IMMEDIATE.

GROUNDFISH FILLETS

Smith and Gilbert were asked to call on Kalijarvi, Deputy Assistant Secretary for Economic Affairs, and Thibodeaux, Director of the Office of International Trade and Resources of State Department yesterday afternoon. They were informed that the purpose was to consider jointly and quite informally the situation concerning the import of groundfish fillets into the USA. It was carefully explained that in calling this meeting State Department had no intention of implying any warning or threat respecting the application of restrictions on imports. However, though in the President's decision to reject the Tariff Commission's recommendation it was implied the Chief Executive did not agree with the Tariff Commission that imports were causing injury, it was nevertheless a fact that the President's action had not written "finis" to the situation.[140] Kalijarvi said that at the time when he issued the invitation to us it was his intention we should together discuss ways and means of offsetting that which seemed to be more than a mere possibility that in Congress at this session a concerted attempt would be made to pass legislation to curtail in one way or another the imports of groundfish. He said that when he had asked us to call on him he did not then know that a delegation would be calling on him this Thursday, January 10, to make representations for relief from injury alleged to be caused by excessive imports of groundfish. He went on to say that it was fairly obvious the legislation passed in the last session of Congress, namely the Fisheries Act of 1956, fell far short of providing a solution to the problem.

2. We were asked to make any suggestions that might provide State Department with new ammunition to consider this turn of events. We went over the various points which have been repeatedly presented to the USA by us at various levels of government. We gave the USA officials no grounds for hoping that any form of self-imposed control of exports would be acceptable to Canada though we were never asked to consider such a proposition. To this both Kalijarvi and Thibodeaux replied that State Department was sympathetic to our views and that there was no need to make any further attempts to convert the converted. Their immediate concern was to find a defence against the increasing political pressures that were being built up. We went on to say that in our opinion since the New England fisheries, due to economic conditions beyond their control, were unable to compete with imports from foreign countries, it might be more logical to consider that some

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[140] Pour prendre connaissance de la lettre que le président Eisenhower a envoyée le 10 décembre 1956 au sénateur H.F. Byrd, président du House Ways and Means Committee, voir United States, Department of State, *Bulletin*, Volume XXXVI, No. 916, January 14, 1957, pp. 56-57.

For President Eisenhower's letter of December 10, 1956 to Sen. H.F. Byrd, Chairman of the House Ways and Means Committee, see United States, Department of State, *Bulletin*, Volume XXXVI, No. 916, January 14, 1957, pp. 56-57.

form of subsidy aimed at providing financial assistance in their production costs might provide a partial solution. In that much of the pressures behind the enactment of the Fisheries Act of 1956 were provided by the fact there was apparent inequality in the federal assistance given between agriculture and fisheries, perhaps increased financial assistance to fisheries would not be out of line with the thinking of those who gave their acceptance to the act.

3. We also made mention of the various meetings that had been held between representatives of the Canadian Maritimes and New England fisheries for the purpose of coming to some agreement to provide funds obtained as a toll from the sale of groundfish fillets for advertising designed to increase consumption in the USA. We expressed a degree of surprise that as yet nothing tangible had come out of these meetings and intimated that if wholehearted cooperation in this project was obtained, in our view a successful campaign would have a decidedly beneficial effect in offsetting the continual complaint against imports.

4. The situation revealed in this conversation gives rise to several interesting conjectures as to what the future holds. It is obvious that even though the President rejected the Tariff Commission's recommendation, the industry is not going to give up without a fight. The press has reported that Tom Rice, Executive Secretary, Massachusetts Fisheries Association, said the next step for New England fisheries is to seek the intervention of the Office of Defense Mobilization. Kalijarvi and Thibodeaux were inclined to agree with us that this approach did not have much chance of success.

5. Kalijarvi said that he did not know what the delegation which was meeting with him tomorrow was going to propose. However, though he was in sympathy with the Canadian viewpoint and was persuaded the difficulties facing New England were due to causes other than imports, he assured us that in face of the statistical picture of rising Canadian imports, none of these points would have any effect on the domestic industry whose minds were fixed on import restrictions.

6. Another proposal with which we may be faced is to impose voluntary restrictions on our exports. We include this suggestion for the reason it is on all fours with the arrangements that are now being made with the Japanese in their exports of textiles to the USA.

7. Failing any success along these lines: the next avenue of approach which has more serious implications would, we think, be through Congress where a bill proposing increase of duties and/or restrictive quotas may very probably be placed in the hopper. Though it may be logical to assume that the President, having set a precedent by his recent decision, would veto a bill directly proposing quota restrictions or a tariff increase, yet he might be faced with a bill designed to provide further aid to fisheries with a rider attached to it embodying industry's desire for import restriction.

8. It would be to our advantage if we could be informed immediately as to the status of the negotiations between the Maritimes and New England regarding the advertising campaign and any other suggestions that you might have that would strengthen his hand which we could pass on to Kalijarvi before tomorrow's meeting.

[A.D.P.] HEENEY

231. DEA/6600-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 208 Washington, January 29, 1957

CONFIDENTIAL

Reference: Msg 104 Jan 15.†

PETROLEUM IMPORTS INTO THE USA

In the message under reference we covered the background of the possibility that early pressures would be exerted on the Executive Branch to restrict imports of petroleum. On Friday, January 25, the Independent Producer Organizations addressed a letter to Dr. Arthur Flemming, Head of ODM, asking that steps be taken immediately to restrict imports of foreign oil, so that the restrictive machinery would be available when the Middle East oil production and transportation return to their pre-Suez potential. The key words in the latter are the request to ODM "to now take whatever steps are necessary to give assurance that imports will not be permitted to exceed the 1954 relationship (of imports to domestic production), without exception as to source or destination." This inclusive statement quite clearly refers to the waivers which the current policy stipulates for oil from Canadian and Venezuelan sources and the exception of District 5, i.e. the USA West Coast, from inclusion in the application of the import formula.

2. It seems to us probable that Dr. Flemming will reply to the Independent Producers Associations by reiterating and emphasizing the statement he made early in December 1956 when he "suspended" the consideration of whether to certify to the President under the so called National Security Clause of the Trade Agreements Extension Act. Flemming pointed out at that time that when the Middle East situation had clarified he would ask the oil importers to again provide estimates of their import plans. He indicated that the plans would then be reviewed and a decision would be made as to whether or not certification should be made to the President under Section 7 of the Trade Agreements Extension Act.

3. It may be that the independents feel that they will not get much satisfaction from Flemming at this time but have approached him again with the full expectation that he will adhere to his previous stand. If they then choose to approach the legislative branch, they would be in the position to point out that every effort has been made to induce Dr. Flemming to act under the existing legislation but to no avail. (The corollary, then, could be that new and specific legislation containing quotas is the only action which would meet the alleged "threat" to the domestic industry, and which the reluctant executive branch would understand.)

4. There is not much evidence yet that the independents have met with success in beating the drums for a concentrated drive in the Senate and House for restrictive legislation, but with the temper of the Senate aroused over the price increase and the various and complicated issues of petroleum pricing and distribution to be aired before congressional committees, probably including a special committee in the Senate, the whole mater of petroleum distribution, production and imports could quite easily become a major issue in the 85th Congress. In fact, it can be expected that the independents will try to tie the recent price increases to the fear of an early resumption of imports of "cheap foreign crude".

5. We should be under no illusions concerning the relationship of the current moves of the independents on the import question to the whole matter of supplying oil from this continent to Europe. It is clear that the independents, both producers and refiners, are determined to milk every ounce of advantage out of the Middle East situation and to emerge with specific limitations on the amount of petroleum which may be imported into the USA.

6. This is not a simple or straightforward situation. While the independent refiners and independent producers appear to make common cause with respect to the 15 major international companies, the objectives of the refiners and the producers are not parallel.

7. Another factor which may have some influence on the direction of how things go within the executive branch on the petroleum import question is that Dr. Flemming is slated to return to Ohio Weslyan early in the spring to be succeeded by Mr. Gordon Gray, presently Assistant Secretary of Defense (International Security Affairs). While we know Flemming's views, both private and public, on the matter of oil imports, we have no idea whether Mr. Gray will be inclined to follow the same policies.

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232. DEA/2057-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-600 Ottawa, April 17, 1957

CONFIDENTIAL. PRIORITY.
Reference: Your Tel. 810 of April 6.†

OIL IMPORT RESTRICTIONS AND MR. GORDON GRAY

Following is a suggested memorandum you might leave with Mr. Gray when you make your farewell call. You may wish to suggest some alterations in this.

CRUDE PETROLEUM

For many years trade relations between the United States and Canada have been based upon the reciprocal exchange of most-favoured-nation benefits and upon principles which do not envisage the use of import restrictions. As a result very high levels of trade in both directions have developed.

The application by the US of direct controls on the imports of any product would be a matter of vital concern, and indeed the threat of restrictions when used by the US Government to persuade their domestic distributors to restrain their imports raises many problems not only for the industries directly affected, but also for the maintenance of a sound basis for Canada-US trade relations generally.

3. With respect to crude oil, which has been assuming an increasing importance in the pattern of Canadian exports to the United States, the Canadian Government was very much aware in the years just prior to 1955 that various bills had been introduced in the United States Congress for the purpose of imposing restrictions on the importation of crude petroleum into the United States. These were rejected by Congress, and Canadian concern was allayed. The Canadian oil developments in Western Canada continued to follow a spectacular course, and the construction of pipe lines to the Great Lakes and to the Pacific moved

ahead. The pipe line over the Rockies was a high cost operation and was undoubtedly constructed with a view to developing some market in the Northwest area of the United States.

4. Early in 1955 the recommendations of the United States Cabinet Committee on Energy Supplies and Resources Policy were announced. After careful consideration by the Canadian authorities of the sections of the report dealing with crude petroleum, the Canadian Ambassador submitted an aide mémoire to the State Department on March 8, 1955,[141] setting forth Canadian views and desires with respect to the actual and potential trade in crude petroleum between the two countries.

5. In this document, we referred to our great concern lest these recommendations might become the settled policy of the United States and might lead to severe restrictions on the developing Canadian trade. We pointed to the expansion of refinery capacity and marketing plans in the United States to make use of the increasing availability of Canadian crude, not only in the Pacific Northwest but also in East St. Paul and eastward. We noted the efforts of the United States through the General Agreement on Tariffs and Trade to promote the growth of world-wide multilateral trade on an economic basis and unhampered by restrictions. We referred to the logical economic pattern of development of the oil markets which are costly and difficult to serve from domestic U.S. wells. It was pointed out that Canada was not merely a competitor but also an important market for United States oil, and much would be lost in terms of continental efficiency if both countries were to develop their respective oil industries along purely national lines.

6. Finally we discussed the problem from the point of view of strategic considerations. Mention was made of the fact that the United States navy supported the idea of constructing the trans-mountain pipeline and of constructing additional refining capacity in the State of Washington. We pointed out that if in its best judgment the United States Government should conclude that its defence interests required in general that imports of crude oil should be limited, then such defence interests should logically require that imports from Canada be considered separately on a continental basis and should be exempted from any restrictive policy.

7. A reply to our aide-mémoire was received from the State Department dated March 24, 1955.[142] This stated that the Cabinet Committee held the view that at that time the pattern of oil imports in comparison with domestic production which prevailed in 1954 should be the target for oil imports, but that in reaching this conclusion the committee had not expressed itself regarding the sources of these imports. Moreover, the committee expressed itself as being fully familiar with the circumstances regarding imports of oil from Canada as outlined in our aide-mémoire and cognizant of the security implications with respect to Canadian oil. The State Department then expressed its hope that the policy of the committee could be implemented in such a way as to give full recognition to the factors which the Canadian Government regards as important.

8. Our great interest in maintaining unrestricted access to the United States market was again expressed to the United States Government during the meeting of the Canadian Ministers and U.S. Cabinet Officers in United States-Canadian Committee on Trade and Economic Affairs held in Ottawa on September 26, 1955.[143] It is understood that assurances were given by United States Cabinet members that, for purposes of administering

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[141] Voir/See Volume 21, Document 375.

[142] Voir/See Volume 21, Document 379.

[143] Voir/See Volume 21, Document 407.

the National Security Clause of the Trade Agreements Extension Act, North America had been treated as a single unit.

9. Up to now, imports into the United States of crude oil from Canada appear to have been given the fair and reasonable treatment anticipated by the events mentioned above, and the soundness of this policy has been decisively illustrated during the difficult situation which followed Suez Canal crisis.

10. The inter-relationship of the U.S. refineries and the Canadian suppliers is growing steadily. Expansions are under way in the capacities of our pipe lines to the Pacific and to the Great Lakes. The assurance of a continuity of markets in the United States provides a stimulus to the further search for new oil fields in Canada. These developments do not pose a threat to the United States oil industry. They are a significant contribution to the economic strength of both countries.

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233. DEA/2057-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1002 Washington, April 29, 1957

SECRET. PRIORITY.
Reference: Your Tel E-600 Apr 17.

OIL IMPORT RESTRICTIONS AND THE NEW DIRECTOR OF ODM

During my farewell call last Friday (April 26) on my friend Gordon Gray, I left with him a memo concerning our interest in USA oil import policies along the lines of your telegram under reference as amended by later messages† and phone conversations. I took the opportunity he was quite ready to give me to elaborate a little on the memo, stressing especially the direct relevance of Canadian oil developments to the "security" of the USA. I pointed out that any action by the USA which discouraged exploration and exploitation of oil resources in Canada could hardly contribute to USA security in a crisis. If the maximum benefit was to be secured from Canadian supplies in an emergency, it was essential that development should proceed in the meantime without impediment and that the necessary installations and pipeline facilities should be in existence. The rich oil resources of Canada would surely be at least as vital to the USA in a critical situation as would those domestic sources which required artificial stimulus for their continued development. I also emphasized the serious effects which action against oil imports could have on general relations between the USA and Canada, especially when so many other recent events, economic and otherwise, had placed an abnormal and serious strain on those relations. I concluded by saying that we had been somewhat encouraged by certain features of the material given out by ODM in connection with the recent announcement of a new investigation into the need for import restrictions. In particular, we noted that Canada had been excluded from many of the statistics and that in his advice to the President Gray had referred only to dependence upon "overseas" oil supplies. I hoped that we might take these features as evidence that, whatever might be planned for oil imports generally, the special nature of Canada's position would be recognized.

2. Gray was not surprised that I had raised the oil question in taking my leave of him. Generally speaking, he said, it had been occupying his attention almost continuously since he became Head of ODM. We would not be justified in attaching any real significance to the use of the term "overseas" in his communication to the President. That communication was intended to relate to oil imported from any source. This did not mean, however, that arrangements which might be made eventually would necessarily draw no distinction between sources on strategic or other grounds. This issue should not be prejudged but would depend on the outcome of his further enquiries.

3. Gray then spoke to me quite frankly about his approach to the general problem. At this stage, he did not know what arrangement or formula would eventually emerge. He had originally felt that, even for the immediate future, a voluntary system of restriction on imports would not be workable. Now, after his conversations with the main oil-importing companies, he was fairly confident that voluntary restraints might be practicable. If he had been less conscientious, the easiest course might have been merely to certify that imports were endangering the national security, and turn the whole problem over to the White House. He was sufficiently hopeful, however, that something fairly satisfactory could be produced that he had thought it worthwhile recommending that he be given some additional time to explore the possibilities. He would not be surprised if he found himself able to report back in six weeks or two months that a voluntary arrangement was functioning effectively. He could not say just what kind of arrangement might be made, or whether a distinction would be maintained among sources or among the USA importing districts. He could give no assurance on this score. He did say, however, that, in connection with any short-term arrangement or any longer-term solution, he, personally, recognized the importance of Canadian sources of oil in relation to "the collective security" of our two countries.

4. While Gray was hopeful that something reasonably adequate could be devised, he was greatly concerned at the possibility that the sort of arrangement which might be made would gradually work him into the position of a "Judge Landis of the oil industry". He might find himself more deeply involved in the operations of the industry than he would consider desirable or than anyone in the present administration would think appropriate. If he became responsible for supervising imports of oil in some manner (which he implied might be more likely under a voluntary system than under a formal system based on legislation or formal regulations) and the prices of petroleum products to domestic consumers then increased, he might be expected to intervene with the industry; thus it might go on from one thing to another until he assumed a much larger role than would be appropriate for a government official in the kind of economy which is desired in this country.

5. Gray then referred to some of the longer-range possibilities which were being explored, with emphasis particularly on the possibility of tariff action. He mentioned the views which Senator O'Mahoney had expressed on this subject and said that, if what the Senator had in mind was an across-the-board increase in oil tariffs, this would not serve the security interest of the USA. The main effect would be to help the lower-cost Middle and Fareastern producers at the expense of Venezuela and Canada. Since the sole concern of ODM was with the national security aspects, he was not much attracted by the idea of a simple tariff increase. He thought, however, that possibly something might be done by selective tariff adjustments which favoured the types of petroleum products coming from sources of greatest security value to the USA. He indicated that one of the technical people in the Tariff Commission had suggested the possibility of applying different rates on the basis of the specific gravity of the types of oil produced by different countries. He recalled that the USA tariff on other commodities at present contains some concealed discrimina-

tion among countries through the peculiar way in which some items have deliberately been defined (e.g., the special tariff treatment of Latakia tobacco). He did not know how practicable such a device might be in the case of petroleum if it were decided that some distinction should be made, he had, however, asked the State Department to let him have a report on the precedents. He observed that open or concealed discrimination would present problems for the State Department in relation to the countries of the Mideast.

6. Gray also commented on the inadequacy for any length of time of the formula adopted earlier by the President's Advisory Committee under which imports could be kept to a fixed percentage of domestic production. He did not quite see the basis on which one could select a particular percentage as reflecting the volume of imports consistent with the national security interests of the USA. Moreover, if any particular percentage were to be maintained while domestic production continued to decline, the net effect would be to reduce the total availability of oil to USA users.

7. Finally, Gray referred to the strong pressure which was being exerted upon the administration by a great variety of congressmen and senators. It seemed that constituencies in almost every part of the country were involved either as producers of oil or of coal. The group with whom he had recently met had included liberals and conservatives from virtually all parts of the country, including one new Senator (Morton of Kentucky) who as an Assistant Secretary of State had previously "fought tooth and toenail" against any action to restrict oil imports. There was no indication that any of the representatives or senators thought the administration was going too far. In fact some of them were critical of the ODM for not having dealt with residual oils.

8. In connection with the timing of the exchange between himself and the President, resulting in the launching of this new investigation, Gray said that he had thought it essential to get something out publicly before Congress resumed after the Easter recess.

9. This conversation was certainly most interesting but I find it quite impossible to judge where Gray will eventually come out. I am confident that he will insist on a very thorough examination before making any further definite move. In talking with us he was doing so as a personal friend as well as an official, thinking out loud and saying quite freely what was on his mind. My impression is that, because he prefers "the rule of law to the rule of men", he may favour for the longer-term future something more precise, formal and predictable (possibly through the tariff) to a voluntary system which must leave so much discretion and responsibility to officials of the administration. Since Gray was speaking so frankly and freely, I would suggest that this message be given limited distribution and that no reference be made outside the government service to the thoughts which he expressed to me. Ritchie and Chappell accompanied me on my visit to Mr. Gray.

[A.D.P.] HEENEY

234. DEA/6780-40

Le directeur de la Direction générale des Relations commerciales internationales du ministère du Commerce à l'ambassadeur aux États-Unis

Director, International Trade Relations Branch, Department of Trade and Commerce, to Ambassador in United States

TELEGRAM E-750 Ottawa, May 14, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Your tel 1091 May 9.†

ALSIKE CLOVER SEED — UNITED STATES TARIFF

1. We are disturbed to hear that the Tariff Commission is recommending to the President that on imports of alsike clover seed the tariff quota be maintained at the level of the last two years, and we would request that an aide-mémoire be left with the State Department setting forth the views of the Canadian Government on this matter. The following points should be made.

2. We note that the Tariff Commission has again examined the protective measures which have been taken during the last three years against the importation of alsike clover seed into the United States and has recommended that the present tariff quota be maintained.

3. The Canadian Government had expected that the present impairment to the tariff concession on alsike clover seed would be eliminated after June 30 of this year. The concession in the United States tariff on this commodity was negotiated by Canada under the GATT in 1947 and the agreed rate of 2¢ per pound was bound in the Trade Agreement against increase. When in 1954[144] and again in 1955[145] the United States took emergency action under Article XIX of the GATT to withdraw this concession and to impose a much higher rate of duty on imports above a specified quantity, the Canadian Government assumed that this was a purely temporary measure and that the tariff concession would be fully restored as soon as the emergency conditions ceased to exist. It should be noted that Article XIX of the GATT stipulates that a concession may be suspended only to the extent and for such time as may be necessary to prevent or remedy a serious injury, and only if there is clear evidence that such an injury or threat of injury results directly from increased imports.

4. We would point out that the conditions with respect to the marketing of alsike clover seed which prevailed in previous years no longer exists and in the view of the Canadian authorities there would seem to be no grounds whatever to justify a continuation of the action taken under Article XIX. There are no surplus supplies in the market. Production in both the United States and Canada appears to be quite reasonable in relation to expected demand.

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[144] Voir volume 20, les documents 535, 541 et 542.
See Volume 20, Documents 535, 541 and 542.

[145] Voir volume 21, les documents 385, 386 et 387.
See Volume 21, Documents 385, 386 and 387.

5. In the light of these considerations and of the implications of any action of this nature on trade relations between Canada and the United States we would urge the United States Government to ensure that the tariff concession granted to Canada should be fully restored.

6. In addition to the above points for inclusion in an aide-mémoire, we are giving you the following data on alsike clover seed, production and prices, for your information and for any discussions you may have on this subject.

7. Alsike acreage in the United States has decreased substantially since 1953, and, despite record yields on the 1956 season, crop requirements for consumption exceeded U.S. production by 2,500,000 pounds at prices considerably above the 1953 season. Requirements resulting from the Soil Bank operations should increase requirements further.

Prices — the average price to growers for three seasons, 1954 to 1956, was about $27 per 100 lbs. or 165 per cent of the 1953 season's price. U.S.D.A. quotes $32.20 for the 1956 season. Although prices to growers declined to $24.70 a hundred in March 1957, the retail price in March 1957 at $48.20 was 157 per cent of the average February to May 1954. It is of note that the spread between prices received and prices paid averaged $13.50 per cent February-May 1953, was $7.60 per 100 pounds in Sept. 1956 & $23.50 per 100 pounds in March 1957.[146]

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235. DEA/11049-40

L'ambassadeur aux États-Unis
au directeur de la Direction générale des Relations commerciales
internationales du ministère du Commerce

Ambassador in United States
to Director, International Trade Relations Branch,
Department of Trade and Commerce,

TELEGRAM 1238 Washington, May 28, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Our Msg 1229 May 25.†
Repeat External (L. Couillard) (Information).

LEAD AND ZINC

Confirming our conversation of yesterday, State Department called us yesterday to give us the preliminary details of the proposal that will be submitted to Congress in the near future.

2. Following a directive from the Cabinet, to the effect that a proposal must be submitted to Congress that will provide increased protection for the lead and zinc industry against imports by an increase in the duties that will correspond with the recommendations made by the Tariff Commission in their report of May 1954, the plan that has been worked up by the Department of the Interior, and agreed to by the other departments concerned, will provide for a sliding scale of duties that will increase to a maximum as the price of lead and zinc goes down. The exact price ranges, and the exact amount of the duty increases are

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[146] Un aide-mémoire fondé sur ce message a été envoyé au Département d'État le 16 mai 1957.
An aide-mémoire based on this message was delivered to the State Department on May 16, 1957.

not yet firm but it is probable that the price under which the first increment of the increased duties will start to operate will be 17-cents per pound for common lead at New York, and 14 1/2 cents per lb for prime western zinc East St. Louis. (It will be noted that the price of zinc during 1956 was 13 1/2 cents and averaged 12.3 cents during 1955. The average price of lead in 1956 was 16 cents and in 1955 averaged 14.9 cents). The floor at which the maximum increase in duties will operate may be 14 1/2 cents for lead and 12 or 2 1/2 cents for zinc.

3. The first increment for lead will probably be an increase of 1 cent and it will then go up by 1 cent increment as the price drops. For zinc the increments will probably be 3/4 cents. The total maximum increase in the duty (or it may be billed as an excise tax) will probably be about 3 cents per pound for lead and 2 cents per pound for zinc (it is possible that maximum of all duties plus increments will be 3 and 2 cents respectively). It is not proposed that any relief to the domestic industry by way of tax rebates or tax exemptions will be included in the proposal that is to be submitted to Congress. It is also suggested that the Department of Agriculture will agree to restarting its barter programme, but we have not been able to confirm this from the Department of Agriculture. According to the State Department, if and when the barter programme is begun again the emphasis will be on the disposal of grains rather than the support of the lead and zinc market. Previously the bartering of lead and zinc was undertaken in order to remove surplus lead and zinc from the market and thus support the price of those metals at current levels. Now we are informed that bartering will only go on as long as the Department of Agriculture believes that sales of surplus agricultural commodities by barter are not affecting the sale of such surplus agricultural commodities by the USA by normal commercial methods.

4. When questioned on how the State Department proposes to deal with the question of compensation that is required under the GATT for such increases in duties, they had no solution to offer, freely admitting that under the Reciprocal Trade Agreements Act they have no authority to offer any concessions that would begin to represent adequate compensation. Moreover, they are not sure how they will propose negotiating but seem to think that the procedure established by Article XXVIII of the GATT would be used more probably than Article XXIV.

5. We do not know when the report of a mineral's programme (which will include suggestions for other types of aid for other metals) will be made available, or when the resulting enabling bills to Congress will be ready. We anticipate, however, that the programme will be made public within a few days and probably not later than next week. It has been made quite clear to us that nothing we can say can change the determination of the administration to go ahead with this programme.

6. The Ambassador has an appointment to see Mr. C. Douglas Dillon, Deputy Under Secretary for Economic Affairs, at 10.15 am on May 29, in order to discuss this development which can only be regarded as a most serious breach in the determination of the administration to resist pressures for protection on important items for international trade. We would hope, therefore, that you can let us have your comments before that meeting.

236. DEA/11049-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-116 Ottawa, May 28, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Your message 1238 of May 28.

LEAD AND ZINC

We are seriously concerned about the information received regarding tariffs on lead and zinc and a new barter programme whereby these metals would be imported in exchange for surplus grain. As you are well aware these proposed measures would cause serious damage to important Canadian trade and economic interests and would be bound to have a profound effect on Canadian-U.S. trade relations. In view of the seriousness and urgency of the situation we are outlining points which we would appreciate your using as a basis for your discussions tomorrow with Mr. Dillon. We would leave it to your judgement whether these points should be incorporated tomorrow in a paper which you might leave with him. Mr. Howe hopes there may be some possibility of getting the Americans to drop the idea of a new barter programme including wheat even if in spite of our efforts higher tariffs on lead and zinc are adopted. In addition to Dillon, we would be grateful if you could arrange to make representations at the White House to Adams and Hauge.

2. In addition to the following points you might wish to use those which the President himself made (in 1954 and 1955) in rejecting proposals for increased protection.

1. The Canadian Government is seriously concerned about the information that the United States Cabinet has reached a decision to establish additional duties on lead and zinc and to reinstate a barter programme for the importation of these metals in exchange for surplus grain. Both these sets of measures would, if implemented, cause serious damage to important trade and economic interests and would be bound to have a profound effect on Canadian-U.S. trade relations.

2. It will be recalled that in May[147] and July,[148] 1954 and March,[149] 1955, when restrictive measures affecting lead and zinc were under consideration in the United States, the Canadian Government made formal representations expressing its views on this subject and pointing out that such restrictive measures would have adverse effects, not only on Canadian-United States trade relations, but also on the strategic interests of both countries.

3. Canada exports over 54 per cent of its total production of lead and zinc to the United States. Canadian exports of lead ore and metal to the United States totalled over $12 million and exports of zinc ore and metal to the United States totalled over $54 million in

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[147] Voir volume 20, les documents 530 à 534.
See Volume 20, Documents 530-534.

[148] Voir volume 20, les documents 544 à 545.
See Volume 20, Documents 544-545.

[149] Voir volume 21, les documents 380 à 382.
See Volume 21, Documents 380-382.

1956. The production of these metals is widely distributed throughout Canada and the producers are vitally dependent on access to the U.S.A. market.

4. These proposed U.S.A. policies are obviously intended to relieve the domestic mining industry in the United States from making adjustments to changing market conditions. The burden of readjustment would be shifted to the shoulders of producers outside the United States. If the proposed restrictive measures are implemented they will relegate Canadian producers to the position of marginal suppliers to the United States market to be restricted whenever convenient. The question would arise whether this is the basis upon which Canada and the United States are to conduct trade and doubts would be raised about the status and validity of the trade agreement between our two countries.

5. The current U.S. tariff rates on lead and zinc ores and metals have been negotiated and bound against increase with Canada under the General Agreement on Tariffs and Trade. These tariff concessions thus form an important part of the trade agreement governing relations between the two countries, under which many significant trade benefits have been exchanged and policies pursued jointly for the reduction of trade barriers throughout the world. The proposed measures to increase tariffs on lead and zinc would constitute a serious impairment of contractual obligations by the United States. Furthermore no compensation in terms of equivalent tariff concessions would be possible.

6. From the point of view of lead and zinc producers in general, including those in the United States, these proposed policies would have the effect of keeping prices so high as to discourage the use of zinc in relation to other competitive metals and thus would do great damage to long-term prospects for zinc production.

7. The resumption of the barter programme would further aggravate the damage caused by the proposed tariff increases, by involving the question of grain surplus disposal in addition to lead and zinc. Substantial and continuing damage is being inflicted on Canadian producers of wheat and other grains by U.S.A. agricultural disposal policies. The Canadian Government has repeatedly protested to the United States Government with respect to the effects of U.S.A. agricultural policies on Canadian exports of wheat and grains to traditional markets throughout the world. It would be a matter of the most serious concern if, far from seeking to modify these policies in order to take Canadian interests more fully into account, and in spite of the repeated protests that have been made, the United States Government were again to embark on special barter operations for these products.

8. In view of all these considerations, the Canadian Government would most seriously urge that the proposals now being considered should not be implemented either with respect to the tariff increases on lead and zinc or with respect to the resumption of a barter programme involving grains.

237. DEA/11049-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1254 Washington, May 29, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Your E-116 May 28.

LEAD AND ZINC

As expected, I saw Dillon, the Deputy Under-Secretary of State for Economic Affairs, this morning, and gave him the informal memo setting forth the view contained in paragraph 2 of your message. I also referred to the arguments against the use of the tariff device which President Eisenhower had deployed in his statement in 1954, and I suggested that the same reasoning seemed to me still to be applicable. I emphasized how seriously action against imports of Canadian lead and zinc would be regarded in Canada. In addition to the arguments in the memo, there was the consideration which many Canadians would have very much in mind that trade between Canada and the USA was substantially, almost overwhelmingly, "out of balance". The kind of action apparently contemplated was difficult to reconcile with defence and other relationships on this continent. Whatever might be said about remote and possibly vulnerable sources of supply, it was clear that economic sources in Canada were of strategic value to the USA. I recalled that the lead and zinc items in the USA tariff had a long history so far as Canada was concerned. For over twenty years the rates on these items had been considered among the main benefits received by Canada in return for concessions which we had made in tariff negotiations with the USA. Finally, I noted that the proposed action would affect, in addition to Canada, a variety of countries of some political importance to the USA. In this connection I mentioned particularly Yugoslavia, in view of the arguments which have been made to us recently about using economic measures to encourage Eastern European satellites which might be showing signs of liberal tendencies.

2. In commenting on the views which we had expressed, Dillon held out no prospect of the administration changing its plans for protecting the domestic lead and zinc industries. About the only encouraging thing which he said during the whole conversation was that he questioned our info about any decision to revive the barter programme. To the best of his knowledge, no consideration had been given to this possibility in connection with the lead and zinc problem. The recommendations had been produced mainly by the Department of Interior and they had nothing to do with arrangements for bartering agricultural products. Such little comfort as we took from these remarks by Dillon has since been diminished considerably by a report from the Department of Agriculture that barter operations are being resumed, although apparently on a more limited scale than in the past. While Dillon may well have been right in indicating that any resumption of barter activities was not part of the programme for dealing within the lead and zinc problem, the effects could be equally disturbing.

3. Apart from his remarks about barter, Dillon's replies to our comments were directed primarily at explaining why higher protection of the lead and zinc industries had become

virtually inevitable and how such protective action could be reconciled with the international obligations of the USA.

4. Dillon reminded us that, when vetoing a 1955 measure for accelerating the stockpiling of these metals, the President had promised to present a long-term minerals policy. During the current year, the President had again indicated in one of his messages to Congress that he would be submitting proposals for dealing with the longer-term problems relating to mineral production in the USA, especially lead and zinc. The proposals of which we had been generally informed were largely the result of the work which the Department of Interior had since been carrying out on this subject. These proposals would probably have been presented earlier if Seaton, the Secretary of the Interior, had not been ill. The State Department would naturally have preferred that no action be taken in view of its responsibilities for USA commercial policies and for the international relations of the USA. Along with other departments, the State Department now accepted that something had to be done.

5. Dillon stressed that on this occasion the USA was not "hiding behind strategic considerations". The simple facts were that the lead and zinc industry was spread over some 47 states and was facing serious difficulties. Perhaps the measures taken earlier (including barter operations) had forced prices too high, but there could be little doubt that prices were falling to levels which endangered these domestic industries. Dillon said that the temper of Congress was to favour extreme action. If the administration refrained from presenting a programme, the extremists in Congress would produce their own and the President would have great difficulty in resisting it. If, on the other hand, the administration submits what it regards as a minimum programme, Congress may be persuaded to be satisfied with such limited action. If, confronted with a reasonable proposal from the administration, Congress passes a measure which goes much further, the President will be in a better position to veto it.

6. In connection with the position in Congress, Dillon also referred to the possible relationship between adequate protective action now on lead and zinc and the renewal next year of the reciprocal trade agreements act. This argument, like that in the above paragraph, is one with which we have become familiar. Dillon added no particularly new glosses to it beyond asserting that thorough preparation was now beginning for the renewal of the Trade Agreement Act and that their view on the relationship between action on these metals and the fate of next year's legislation reflected a careful judgement.

7. With reference to the suggestion in our memorandum that an increase in lead and zinc tariffs would constitute a breach of the contractual obligations of the USA, Dillon contended that the proposed changes in tariff rates could be squared with the requirements of the GATT. He mentioned the facilities which will be available under the new version of Article XXVIII to permit alterations in tariff rates without specific justification. He also referred to the possible applicability of the escape clause in Article XIX. He suggested that there were other provisions of the GATT which might be relevant. He recognized that even if such action conformed with the GATT there would remain the problem of finding compensation. He realized that the scope available to the USA administration for providing compensation through additional tariff concessions was severely restricted and probably inadequate; unless of course countries affected might be prepared to accept partial compensation in this form now and wait for the balance until the USA administration secures further authority to reduce tariffs next year under the new Trade Agreements Act (which Dillon hopes will be better than the present version). If compensation could not be given in this way, the USA would have no alternative but to acquiesce in the withdrawal by other countries of equivalent concessions. This was something which the USA would not like to

see encouraged, but since on this occasion the USA would have been responsible for starting the process, it could hardly complain.

8. Dillon added very little to our still incomplete info about exactly what the administration will be recommending. He confirmed that some type of sliding scale would be used, which he thought would lessen the effect of the new rates on prices and hence on the competitive position of substitute materials. He indicated that if the price went above the maximum covered by the new rates, even the existing tariff rates would then cease to be applicable.

9. At the conclusion of the conversation, Dillon assured me that our representations would receive consideration but warned me that he could not be hopeful about the outcome. I shall, of course, have further talks about these matters when I see Governor Adams and Dr. Hauge.

[N.A.] ROBERTSON

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238. DEA/11049-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1258 Washington, May 29, 1957

CONFIDENTIAL. OPIMMEDIATE.
Reference: Our Tel 1254 May 29.

LEAD AND ZINC: GOVERNOR ADAMS

I was able to see Governor Adams earlier than I had expected, as he very kindly invited me to make my call on him first thing this afternoon. I took advantage of the visit to leave him a copy of the memo which we had given to Mr. Dillon. Governor Adams read this memo while I was with him and after reading it said he sympathized very much with us in the difficulties which this action might create for Canadian producers. He then asked me what we would do if we were in the same position as the USA administration. I could only reply that, although we might not always have been consistent, we had on several occasions taken quite a severe line when marginal firms in one industry or another were having a hard time. He said that he was familiar with the Canadian Government's courageous stand in several instances such as the textile industry. I confirmed that this was one of the examples which I had in mind, and I recalled particularly the decision of the Government in connection with the woollen goods tariff.

2. Governor Adams referred, as Dillon had earlier in the day, to the influence which lead and zinc producers had in Congress and particularly in the Senate in view of the wide distribution of lead and zinc properties and plants throughout most of the states. He mentioned, too, the difficulties anticipated for next year in getting a further extension of the Trade Agreements Act. He said that the criticism currently being levelled at the legislation regarding the organization for trade cooperation was really aimed at weakening the administration's position on the Reciprocal Trade Agreements Act in 1958. He expressed his own opinion that even an act of the kind passed last year (the so called HR1) would not be approved if it were presented to Congress at the present moment. The administration was

going to have to be very careful over the next nine months or a year in preparing the way for the new trade agreements legislation. He noted that what was described as a "long range minerals policy" was in fact mainly a matter of "ingeniously and dexterously" devising some means of looking after the industry without upsetting the tariff. At this point he appeared to be thinking of suggestions that an excise tax might be imposed on imported lead and zinc instead of an increase in tariff rates. I did not comment on the distinction which he appeared to be making since I assumed that one would be about as objectionable as the other from our point of view. The Governor also intimated that, in working out their "long range minerals policy", the administration had been anxious to avoid the continuation of "open market" purchases, as the stockpile was now overflowing with these minerals. He intimated that he personally was against intervention by the Treasury to provide such artificial support. (I took his remark as implying also that he probably was averse to subsidies for similar reasons.)

3. I pointed out that there were serious protectionist pressures in Canada as well, as I was sure the Governor would be as concerned as anyone at the consequences which might follow if in response to the proposed USA action the Canadian Government had to start withdrawing some major concessions on USA product. I also recalled, as I had during the conversation with Dillon, that lead and zinc had occupied a prominent place over the years in our tariff relations with the USA. It was hard to say just what reactions might be precipitated by measures which the USA might adopt affecting the trade in these products.

4. Governor Adams asserted several times that while he could agree with almost everything I was saying, he did not see what else they could do. He gave the impression that he and Clarence Randall had on several occasions discussed the importance of trade relations between Canada and the USA and had apparently recognized that they merited special treatment. No way had been found, however, of reconciling the difficulties which were being experienced in commercial relations between the two countries.

5. Governor Adams then referred to other cases where the USA was being faced with an inescapable dilemma. Domestic and national considerations were in conflict with the interests of other countries. He said that, within the administration, Secretary Dulles had been taking him and others to task because what they were doing was destroying the commercial policies required for good international relations. (I found this remark rather interesting since my understanding has been that Dulles has usually not been particularly aware of the connection between commercial policies and general foreign policies.) Governor Adams referred to petroleum and remarked, as an aside (which may or may not have significance), that this was one case which "did not affect Canada at all". He said that he and the others who were working on the petroleum problem were finding it pretty intractable.

6. However serious the problems relating to these various products might be, Governor Adams doubted that we would consider them in the same class as the difficulties associated with the disposal of surplus agricultural products. He felt that those concerned in the USA administration had been trying more conscientiously to take account of Canada's interest in this field, and he mentioned the Polish case as an example of their desire to be as accommodating as possible. He realized that the large problems related to surplus agricultural products were far from being solved, and he added that the man who developed a satisfactory solution would "really deserve a sainthood".

7. At the end of the conversation Governor Adams assured me again of his readiness to discuss problems which might arise between Canada and the USA and his willingness to receive any suggestions which we might be able to make for getting over the difficulties.

While there can be no question of his good will, I found little consolation in the talk with him so far as lead and zinc were concerned.

[N.A.] ROBERTSON

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239. DEA/11049-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1287 Washington, June 4, 1957

CONFIDENTIAL. OPIMMEDIATE.
Repeat Dept T&C (for Dr. Isbister) (Information).

LEAD AND ZINC: CONVERSATION WITH SECRETARY HUMPHREY

In the course of my official visits, I called this morning on Mr. Humphrey, who, as you know, is leaving his post as Secretary of the Treasury within the next few weeks. I found him in very good form, although apparently somewhat exasperated with Government and rather relishing the project of getting back to private business. He told me that he would be glad to "return to Canada" and said that he had come to regard himself as largely a Canadian. In both his private business and in his service with the Government he had had a good deal to do with Canadian affairs. He was high in his praise for the way things are done in Canada and expressed his great admiration for Mr. Howe in particular. He thought it natural that there should be close cooperation between two such countries as Canada and the USA.

2. Although not intending to draw Secretary Humphrey into a discussion on the subject in view of his imminent departure, I remarked that there was one problem coming up which could be quite serious; namely the action which the USA was proposing to take on lead and zinc.

3. Mr. Humphrey reacted very quickly and strongly. He did not agree that what was contemplated would really hurt Canada. He personally thought that something like this should have been done three years ago. At that time he had understood from the representatives of the major Canadian mining companies with whom he had talked that they too would have preferred to have had some more definite decision. As they had expressed it to him, they then thought it best to "get it over and done with and stop all the conversation". Instead (and largely because of the Mexican difficulties of that time), the Government resorted to methods which were unsatisfactory to all concerned. The firms in the USA did not know where they stood and foreign firms were faced with continuing uncertainty. Since then nobody has known whether, on a particular day, the Office of Defense Mobilization would or would not buy some quantity or other. The foreign companies were always unsure whether or not they were eligible to sell lead and zinc to the ODM on those occasions when it was prepared to purchase. Everything depended on the state of somebody's digestion. It was much better to have fixed rules in order that those concerned would have something firm on which to base their operations.

4. Mr. Humphrey obviously thought that the particular rules which were being proposed were not too bad. He indicated that the intention was to let the market play its part (pre-

sumably through the sliding scale feature) in a way which would "stabilize" the present pattern of trade or flow of metal. The rates proposed might or might not turn out to be exactly the right ones. They were being examined carefully in order to make them as accurate as possible for the purpose in mind.

5. I asked whether an increase in taxes or rates of duty would not be likely to depress the prices of lead and zinc abroad. He clearly did not think that this would be the case. As he put it, the economic effects of the proposed measures could be "put in your eye". Imports would continue about as in the past and production in the USA would be no more than maintained. Certainly production here would not be increased by action of the kind contemplated.

6. Secretary Humphrey repeated that the great merit of the system under discussion was that it would replace uncertainty with certainty. The industry in the USA and elsewhere would not have to continue on a "by guess and by God" basis. It would have something more solid on which to base its plans. The market would, of course, fluctuate, as it should, but there would no longer be indefiniteness about what the Government might do. Mr. Humphrey remarked that if he were head of Consolidated he would much prefer this system to the situation which they and other Canadian producers had been up against during the past three years. They would no longer be subject to arbitrary decisions by Government officials.

7. Secretary Humphrey implied that there was still a problem about Mexican lead since the Mexican authorities had some sort of "compensating bonus" which would come into operation more or less automatically as at least a partial offset to any increase in tariff rates (and presumably excise taxes) charged by foreign governments on material imported from Mexico. He did not indicate how they expected to deal with this "problem".

8. I had the impression that, in making these comments, Mr. Humphrey was speaking less as a Secretary of the Treasury than as an industrialist. He made his points with vigour and evident conviction. Several times he expressed the judgment that the arrangement now envisaged was the most "businesslike" one that could be found to fit the circumstances.

[N.A.] ROBERTSON

SECTION J

CÂBLE TRANSATLANTIQUE
TRANS-ATLANTIC CABLE

240. DEA/8981-5-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], February 2, 1956

You may recall that on January 9 the Minister of Transport introduced to Cabinet a Bill to amend the Telegraphs Act so as to provide for the licensing of external telecommunications. The desirability of a licensing system had been accepted by Cabinet in December

1954,[150] when consideration was being given to the application of the Commercial Cable Company for the right to land a trans-Atlantic cable in Canada. My memorandum† to you of January 13 set forth certain objections to the Bill submitted, which had not been discussed with this Department.

At this morning's meeting Cabinet will have before it a memorandum† from the Minister of Transport requesting general guidance on the licensing question and setting forth three possible courses of action, viz:

(1) Making the proposed licensing procedure applicable to all external telecommunications, whether by trans-oceanic cable or by land line.

(2) Exempting terminal traffic between Canada and the United States but including trans-border land lines used for transmission of messages to countries other than the United States.

(3) Licensing only trans-oceanic cables.

The suggestion is made that, although a limitation of the licensing procedure to trans-oceanic cables would leave gaps in the control of external telecommunications, it would suffice for the purposes of the Department of Transport, pending a general review of the Government's communications policy and a thorough revision of existing legislation.

I would recommend that you oppose the acceptance at this time of any of these courses leading to piecemeal amendment of the Telegraphs Act, unless the Department of Transport can demonstrate that there is urgent need for licensing at this time. If there is no immediate urgency I can see no reason why the necessary comprehensive review of communications legislation could not be carried out in the course of the next few months. It is quite possible that when the whole question has been examined by the interested departments the agreed recommendations to Cabinet would include licensing provisions along the lines now being considered. At the moment, however, we are not in a position to determine which, if any, of these particular suggestions would be appropriate as we have not had an opportunity to weigh their implications. We also consider that an amendment of the Telegraphs Act limited to the question of licensing external telecommunications would invite the criticism of Mr. Gordon McLaren and others connected with the application of the Commercial Cable Company that the Government was unsure of its right to handle that application as it did.

In the event that Mr. Marler does consider that there is an urgent need for licensing and that in consequence the Telegraphs Act should be amended to provide only for this, I would recommend that a decision be deferred until the question has been discussed between departments at the official level. We would much prefer, however, to deal with it as part of a general review.

We would not wish to give the impression that we were opposed to licensing *per se* as we have agreed on the desirability of measures of this sort. What we have our doubts about is the timing and procedure proposed by Transport.

J. L[ÉGER]

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[150] Voir/See Volume 20, Document 598.

241. DEA/8981-5-40

Le sous-secrétaire d'État aux Affaires extérieures
au secrétaire du Cabinet

Under-Secretary of State for External Affairs
to Secretary to Cabinet

CONFIDENTIAL [Ottawa], February 17, 1956

Dear Mr. Bryce,

You may recall that on February 2 the Minister of Transport presented for consideration by Cabinet a Memorandum setting forth the need for amendment of the Telegraphs Act. The purpose of the proposed amendment is to provide for the licensing of certain external telecommunications facilities so as to permit the Minister more readily to control new cable landings or the replacement of existing cables. Cabinet considered, however, that before a decision was reached on the matter it should be discussed by officials of the interested departments.

In view of Cabinet's conclusion I would suggest, if you concur, that the various proposals be considered by the Ad Hoc Committee on Telecommunications Policy or by representatives of those departments most directly concerned. It seems to me that there are three points which the Committee might wish to consider and on which it might advise Ministers.

(1) Is an amendment relating to this particular subject necessary at this time or can it be delayed pending completion of a comprehensive review and revision of all present legislation in the communications field? It would appear that the complexity of the questions to be considered in the broader field (including some of those being examined by the Royal Commission on Broadcasting) may be such that this revision cannot be completed for two or three years and that action concerning licensing provisions should be taken before that time; nevertheless I think that the Committee should consider this question and advise upon it.

(2) What is the connection between these proposals and pending activities of such foreign companies as C.C.C., Western Union, etc. (including the current Court order to Western Union to divest itself of its international cable operations)?

(3) Are the proposed regulatory powers broader and less defined than necessary? In this connection I think it would be most helpful if we could have some indication of the form of regulations which would be proposed under the powers now being sought or the general principles which would be used as a guide. It might be well to consider whether some indication of the guiding principles should accompany the submission of the proposed amendment to Parliament.

No doubt there are other facets of this question which can and should be considered before advice is given to Ministers on this proposed legislation.

Yours sincerely,
JULES LÉGER

242. DEA/8981-5-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], February 29, 1956

PROPOSED AMENDMENT OF THE TELEGRAPHS ACT

I understand that Mr. Marler's memorandum of January 30 will be considered again by Cabinet at its meeting tomorrow and that a decision in principle will be sought on the scope of the proposed licensing system for external telecommunications.

This question has now been discussed with officials of the Department of Transport at a meeting under the chairmanship of Mr. Bryce, and I am satisfied that the introduction of a licensing system should not await the completion of a comprehensive revision of all communications legislation. This revision will be a lengthy process, perhaps taking as long as three years to complete, and will involve the reaching of policy decisions on a number of questions. In the meantime the Department of Transport wishes to be in a position to control (or at least to influence the course of) a number of developments in the field of telecommunications. These include the current court order to Western Union to divest itself of its foreign cable operations (and the disposition of its exclusive contract with Canadian National Telegraphs) and the expiration in 1957 of Canadian Pacific Telegraphs contract with the Commercial Cable Company. It is considered desirable that the Department of Transport, without attempting to make fundamental changes in the present pattern of Canadian external telecommunications, should be in a position to influence operations of the large international carriers which might have a harmful effect on Canadian companies or, in the broader sphere, on Canadian national interests. I understand that the two questions of most concern are routing and capacity. On the latter point there have been a number of recent technical developments which make it possible, through the installation of repeaters on existing cables, to increase capacity four or more times. There is no way, under existing law, whereby such radical changes could be controlled — indeed it is doubtful whether the Minister would have the power to intervene were a company to replace an existing cable with a modern one of many times the capacity.

In my previous memoranda on this subject I questioned the sweeping nature of the powers being sought and I understand that when Cabinet has reached a decision on the scope of the proposed licensing system the bill will be redrafted with this point in mind. After the discussion with Transport, however, I appreciate the fact that a certain amount of flexibility is required and that it would be undesirable to set forth in the text of the bill all the situations with which it is designed to cope. I understand that when, in the near future, the revised bill is submitted for Cabinet consideration Mr. Marler will present an outline of the remarks he intends to make in the House on the occasion of second reading. In these remarks he would indicate as specifically as possible the purposes which are in mind and the manner in which the licensing requirements would be applied.

The Department of Transport are prepared to limit the scope of the licensing system to overseas cables and I therefore recommend that you support acceptance of this proposal in principle, subject to further discussion of the draft bill when it has been prepared.[151]

M.H. W[ERSHOF]
for Under-Secretary of State
for External Affairs

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243. DEA/8981-5-40

Maître Gordon Maclaren
au secrétaire d'État aux Affaires extérieures

Gordon Maclaren, Esq.
to Secretary of State for External Affairs

VERY URGENT FOR THIS MORNING. Ottawa, April 16, 1956

Dear Mike [Pearson]:

THE COMMERCIAL CABLE COMPANY
BILL 212 TO AMEND THE TELEGRAPH ACT
APPLICATION FOR NEW TRANS ATLANTIC CO-AXIAL CABLE

You asked for a letter from me first thing this morning so here it is.

All that the leading newspapers in the United States and Canada and your own department have said, about the iniquitous Maryland Legislation to prohibit Canadian Breweries Ltd. entering into business or expanding in the United States, could be said about the action of the Canadian Government in refusing permission for an old established U.S. Cable Co. to build a new trans-Atlantic cable with outlets in Nova Scotia (no land lines).[152] Especially when it has been in business in Canada for over 70 years and its customers require added services which cannot be supplied by others. Just think over that analogy.

Not satisfied with this illegal refusal, which I feel confident would be reversed in the courts, and to further restrict any possible action or expansion and to discourage competition, Bill 212 is now introduced.[153] This is just the voice of special interest, namely C.O.T.C., a Crown Corporation, seeking and conniving for favoured treatment, while masquerading as proponents of the public weal. There is no better saying than — a quality product at a bargain price cannot happen in a monopolistic or state controlled industry — whereas — where industry is free to compete we can always look for new achievements and new gains for the customer.

Mr. Marler has been honest enough with me in the past year or more to infer quite plainly that it is the intention of the Liberal Government to make a monopoly out of the C.O.T.C. in restraint of all other communication companies. I think your public will be surprised to hear that, especially in view of all your combines investigations. At any rate the people of Canada (whether interested or not), the press of North America and, least and last to find out, the members of parliament will have to be told about this application and the government's circumventing same by a round-about method. At least the Maryland people were open and above board.

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[151] Le 1er mars 1956, les membres du Cabinet ont convenu de « to amend the Telegraph Act so as to provide for the licensing of trans-oceanic cables only, and agreed that a draft bill be prepared accordingly ».
On March 1, 1956, Cabinet agreed "to amend the Telegraph Act so as to provide for the licensing of trans-oceanic cables only, and agreed that a draft bill be prepared accordingly."

[152] Voir/See Document 219.

[153] Le projet de loi a été présenté le 12 avril 1956./The bill was introduced on April 12, 1956.

The various Commonwealth agreements on telecommunications have never been implemented by Parliament, except maybe in so far as setting up C.O.T.C. in 1948. WHEN THAT WAS DONE THE GOVERNMENT THROUGH ITS MINISTER OF TRANSPORT THEN *PROMISED* PARLIAMENT THAT SUCH SETTING UP OF C.O.T.C. WOULD NOT INTERFERE IN ANY WAY WITH THE OTHER ESTABLISHED CABLE COMPANIES — *WHAT A PROMISE?*

All I ask is justice and fair play. I am quite open to being shown my attitude is wrong. Unfortunately perhaps I come of a fighting clan of hot-headed Scotsmen and under these circumstances am raring for a wide open fight on all fronts.

For your information the matter of the application of my clients is I believe being declassified and taken off the restricted list — so get your press releases ready defending your action.

I told you I would do nothing until I heard from you sometime later today. Hoping you will have something encouraging to tell me after your consultations.

Sincerely,

GORDON MACLAREN

P.S. (CONFIDENTIAL)

Mark my words! It is more than my guess that England will agree to this cable being laid and landed in Great Britain with all requested outlets. You should hear this within two months. So beat them to it. Do not let the U.S. think we still follow the U.K. The cable could even by-pass Canada. There is nothing to lose in granting permission except the objection of C.O.T.C. There is a lot to lose if Canada has no outlets when needed; as they are by my client right now. Furthermore the cable ship spending a million dollars a year in Halifax would not be there if the cable went elsewhere, aside from the vast capital expenditures and employment in Nova Scotia. Remember this is election year in Nova Scotia. Also in time of emergency, I know, if you do not, that it would be well to have these added cable facilities handy for our use, if the Russians do not cut them all with their 485 submarines.

G.F. M[ACLAREN]

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244. DEA/8981-5-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], April 19, 1956

AMENDMENT TO THE TELEGRAPHS ACT REGARDING APPLICATION FOR NEW TRANS ATLANTIC CABLE

I am returning the rather vigorous letter which you have had from Mr. Maclaren. It is not very practicable for us to attempt to prepare a reply at this stage. We would hope that the statement which Mr. Marler will be making on the second reading of Bill 212 within the next few days would serve as an answer to the main points made by Mr. Maclaren.[154] Until that statement has been given it would probably be undesirable for us to anticipate in a letter to Mr. Maclaren the reasoning which Mr. Marler will use — especially as we have been unable to secure the text of the remarks which the Minister of Transport is expected to make.

2. Although the Bill would seem to be an appropriate one and would appear to be in keeping with the earlier decisions of Cabinet, the Department of Transport has not handled this matter in a way which is very satisfactory from our point of view. It had been understood among the members of the ad hoc interdepartmental committee that after the last discussion on this subject in that committee towards the end of February three things would happen:

(a) a revised version of Mr. Marler's memorandum of January 30 proposing an amendment to the Telegraphs Act would be considered by Cabinet;

(b) there would then be further discussion at the official level on the actual language of the draft Bill; and

(c) an outline of the remarks which Mr. Marler would make at the second reading of the Bill would be circulated for comments by other interested Ministers (and possibly by some of the officials concerned).

3. In connection with the first of these steps we recommended that you should support acceptance in principle of the proposal which Mr. Marler was making for an amendment to the Act. This apparently was the attitude of other Ministers concerned and Mr. Marler's recommendation was accordingly approved by Cabinet. To the best of our knowledge the other two steps were never taken. We were not consulted on the text of Bill 212. We also were not informed of the nature of the explanatory remarks which Mr. Marler would make in the House.

4. We have now examined the Bill and find that it carries out quite satisfactorily the purposes which we had in mind.

5. We have spoken with the Deputy Minister of Transport concerning the statement which Mr. Marler will make and we have been told that while Mr. Marler would be rather sensitive about showing the text at the present stage to officials, Mr. Baldwin would recommend to Mr. Marler that he show it to you personally before the second reading takes place. Mr. Baldwin gave us orally a sketch of what he had proposed Mr. Marler should say but he added that Mr. Marler might well revise his draft very considerably. If Mr. Marler does not speak with you in the next day or so concerning these remarks you might wish to express to him your interest in them. You might point out that the subject of control over "*External* Submarine Cables" is a subject of some concern to the Department of *External* Affairs. You might also indicate to him, as we have mentioned to Mr. Baldwin, that you have been receiving various formal and informal representations on this subject from Mr. Maclaren and others. You might also wish to emphasize that there is a danger of the discussion on this Bill taking an anti-American turn in view of the current tendency for debates on most subjects to be given this kind of a twist. Since part of the purpose of this amendment is to prevent "domination" by United States companies of the Canadian external communications field, this Bill would be a fairly natural peg on which to hang some further expressions of anti-American sentiment. You might urge Mr. Marler to have this

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[154] Pour la déclaration de Marler, voir Canada, Chambre des Communes, *Débats*, 1956, volume VI, pp. 5812 à 5815.
For Marler's statement, see Canada, House of Commons, *Debates*, 1956, Volume VI, pp. 5614-5616.

point in mind in determining what he should say about the measure in the present situation in the House of Commons.

J. L[ÉGER]

245. DEA/8981-5-40

Note de l'ambassade des États-Unis

Note by Embassy of United States

No. 269 Ottawa, April 23, 1956

The Ambassador of the United States of America presents his compliments to the Secretary of State for External Affairs and has the honor to refer to Bill 212, An Act to Amend the Telegraphs Act.

Bill 212 was introduced in the House of Commons of Canada on April 12, 1956 by the Minister of Transport. The amendment is concerned with external submarine cables and would require that such cables be licensed and be subject to certain regulations set forth in the bill.

The Department of State has requested the Embassy to express the concern regarding this bill of the United States cable companies operating in Canada, the Commercial Cable Company and the Western Union Telegraph Company. These companies fear that the enactment of the bill would affect existing authorizations under which they now operate in Canada. They fear as well that it might militate against their future operations in Canada where they have always endeavored to furnish satisfactory services and have cooperated fully with the Canadian authorities.

It is hoped that the bill if enacted will contain language which would ensure that the future operations of the United States companies would receive treatment at least as favorable as the treatment given any other cable company operating in Canada.[155]

T. T[HOMPSON]

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[155] Le projet de loi 212 a reçu la sanction royale le 14 août 1956.
Bill 212 received Royal Assent on August 14, 1956.

4e PARTIE/PART 4

COMMISSION MIXTE INTERNATIONALE
INTERNATIONAL JOINT COMMISSION

SECTION A

DÉTOURNEMENT DE CHICAGO
CHICAGO DIVERSION

246. DEA/1760-B-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 54 Washington, January 11, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your letters X-1689 of Dec 13/55 and X-1380 of Sept 29/55.

CHICAGO DIVERSION

When Congress adjourned in August last year, the status of legislation on the Chicago diversion was as follows: Bill H.R. 3210 (introduced by Representative O'Brien of Illinois) had been approved by the House of Representatives and sent to the Senate, where it was referred to the Committee on Public Works.

2. In the Senate, Senator Dirksen of Illinois introduced Bill S-1772 about midway through the session, and on July 14 he and Senator Douglas, also of Illinois, co-sponsored a second bill, S-2550. S-1772 and S-2550 which were both identical to H.R. 3210 were referred to the Committee on Public Works also. At the end of July Senator Dirksen wrote to the Secretary of State requesting the State Department to examine all aspects of the Chicago diversion in detail while Congress was in adjournment, so that full information would be available to all interested parties when the Senate reconvened.

3. The present situation is as follows. The Senate Committee on Public Works has not yet scheduled hearings on any of the three identical bills that are before it. It is likely that hearings will not be scheduled until the State Department have given Senator Dirksen the information he requested last July. We were told today by the State Department that their reply may be sent fairly soon. We suspect that Senator Dirksen has been in touch with the State Department at either the Secretary or Under-Secretary level about a reply to his letter, and that instructions have been issued in the State Department that the reply is to be sent as soon as possible.

4. As far as the State Department is concerned they have not yet decided whether or not they will oppose legislation aimed at increasing the diversion at Chicago. Their final decision will not be made until their legal advisers have completed the study they have been conducting as a result of Senator Dirksen's letter. We have not been able to obtain any definite information on what the results of that study may be, but we were told today that the study is expected to be completed by the end of this week. When the results of that study are available they will be examined by the State Department's Office of British

Commonwealth and Northern European Affairs, who, taking into account the results of that study and "other relevant circumstances", will recommend a final State Department position. It is expected that the State Department's reply to Senator Dirksen will be sent almost as soon as their own position (which is almost certain to be reflected in their reply) has been decided.

5. As for the tactics to be adopted by Canada, we think it would be wise to make our views known before the State Department send their reply to Senator Dirksen, or, failing that, before the Senate Committee on Public Works begins hearings on any of the bills now before it. The advantage, as we see it, would be that any members of the Committee who are opposed to the diversion would be able to refer to Canada's opposition in support of their attempts to prevent approval of this legislation. If our views are not known, supporters of the bill will almost certainly use the absence of Canadian views (as they did last year) as an indication that Canada no longer is opposed to an increased diversion at Chicago. As you have suggested, our views could be made known by submitting either a formal note or an aide mémoire. We agree that an aide mémoire might serve the purpose. It seems to us, however, that it is possible that a change from a formal note to a less formal aide mémoire might be interpreted in certain quarters as an indication that our views now are not so strong as they were in the past. On balance, therefore, we are inclined to favour a formal note. If you agree, we would propose to deliver to the State Department, at the earliest possible opportunity, a note along the lines of that given in your teletype EX-1339 of July 26.[156] The only change that we might suggest in the text of that note, in order to achieve the transition from a protest based primarily on the possibility of damage to Canadian navigation interests, to a protest based on a possible reduction in power potential, would be to add to it a reference to the fact that in our previous notes, specifically No. 70 of February 1, 1954[157] and No. 169 of March 10, 1954,[158] we pointed out that any increase in the diversion at Chicago would impair the power potential on the Niagara and St. Lawrence Rivers. This addition might be made by inserting a new second sentence in paragraph 2 of the proposed note. We should be grateful for your views on this suggestion.

When we were discussing this subject with George Vest of the State Department's Canadian Desk today, he told us that one of the "other relevant circumstances" which would be taken into account by the State Department in arriving at their final position, would be the relationship between on the one hand a protest on the increased Chicago diversion and request for compensation for damages done to Canadian power interests and on the other hand a possible similar protest and request for compensation for damages done to United States interests in the lower Columbia River. In Vest's view a Canadian request for compensation in the context of the Chicago diversion would serve to justify a similar United States request for compensation with respect to the Columbia. It was Vest's opinion (and on this his view is subject to change in the light of the State Department's legal division's study) Canada is entitled to protest an increased diversion at Chicago under the terms of paragraph 1 of Article II of the Boundary Waters Treaty of 1909. According to Vest's interpretation this paragraph would give the Hydro Electric Power Corporation of Ontario, for instance, the right to sue the State of Illinois and the Sanitary District of Chicago for damages in a United States Court. He indicated that there might be some question whether HEPCO would be properly regarded as a Party (with a capital P) or a party (with a small p).

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[156] Voir/See Volume 21, Document 486.

[157] Voir/See Volume 20, Document 613.

[158] Voir/See Volume 20, Document 615.

6. Another of the "other relevant circumstances" is the Niagara Treaty of 1950. It is still Vest's view that an increase in the Chicago diversion would be a direct infringement of this treaty, but again this may not be the State Department's final opinion. He indicated that there was some doubt in the State Department whether the amount of water authorized for use for the production of power at Niagara was an absolute and fixed figure, or whether the phrase "less the amount of water used and necessary ..." could be interpreted as permitting an increased diversion at Chicago for domestic and sanitary purposes.

7. With respect to the International Lake Ontario Board of Engineers Interim Report to the International Joint Commission, we are inclined to think that it might be to our advantage to authorize its release. In our view it would be advantageous not to release the report only if we intended to protest again on the grounds of damage to Canadian navigation interest. But since the report seems to make such a protest by Canada impossible, that advantage disappears. Further, if our next protest is to be made on the grounds of reduced power potential in the Niagara and St. Lawrence Rivers, it seems to us that the evidence in the report showing that the proposed increased diversion at Chicago will result in a substantial loss of power to Canada should become public knowledge. Although we do not know what measures may have been taken to keep the contents of this report confidential, we would be surprised if most of the important information in it is not by now known to all those who are interested in the Chicago diversion.

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247. DEA/1760-B-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM X-56 Ottawa, January 13, 1956

CONFIDENTIAL

Reference: Your telegram No. 54 of January 11.

CHICAGO DIVERSION

There was a full discussion on this subject at yesterday's meeting of the Advisory Committee on Water Uses Policy. The Committee discussed not only the immediate question as to whether or not a note should be sent to the State Department and, if so, what its character should be, but also the question of the validity, under present circumstances, of the attitude which Canada has traditionally adopted on this question. It was pointed out that the present proposal for an experimental three-year diversion of 1,000 cfs is moderate in comparison with the diversions and proposals of the past. The opposition in the United States is apparently becoming less and hence Canadian opposition would stand out more in relief, whereas in the past it was the domestic opposition which largely resulted in the proposal being defeated. It was argued that the additional temporary diversion proposed would not be of great injury to Canadian interests, although the cumulative effect of successive diversions is of consequence.

2. As a result of the discussion, this Department was charged with studying the possibility of proposing negotiations on the whole question to the United States or, alternatively, of proposing a specific reference on a Chicago diversion to the International Joint Commission. Meanwhile, it was agreed that a note should be sent to the State Department. The

note should set out the estimated injury to Canadian interests of the diversion following upon past diversions. It should express our opposition to the proposal but in moderate form. It remains for discussion whether the note should quote the treaty and whether it should refer to the question of compensation. A complete record of the discussion is going to you by bag.

3. We are accordingly preparing the text of a new note. We will consult the interested departments and will submit the text to Cabinet for approval. You will appreciate that this will take at least two weeks and that therefore the note will not be delivered as quickly as you would like. We understand your arguments for rapid action but nevertheless think it best to follow the procedure described above. If, meanwhile, the State Department is interested in our views, the latest expression of them is of course, the three notes delivered in 1954.[159] As our proposed note will probably be milder in tone than the 1954 notes, we do not think that our interests will suffer if the State Department takes the 1954 notes for the present as the expression of the Canadian viewpoint.

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248. DEA/1760-B-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM X-243 Ottawa, February 10, 1956

RESTRICTED. IMPORTANT.
Reference: Taylor-Carter telephone conversation today.

CHICAGO DIVERSION

My immediately following telegram contains the text of the note for despatch to the State Department. It is based on interdepartmental discussion and has been approved by the Cabinet. From the information you have given us about the consideration of this question in the State Department and in Congress, I presume that you would like to deliver this note immediately. Unless, therefore, you wish to suggest any changes in the text, I would propose that you send this note to the State Department on Monday.

2. The remaining question is that of publicity to be given to the note. The text will be unclassified as soon as it is delivered. On one hand, we do not want to draw great attention to the note. On the other hand, we want to be able to show that we are making representations on legislation which affects Canadian interests. Also, it may be desirable for the State Department to be able to communicate the text of the note to Congress. In 1954 there was some doubt as to the best procedure for releasing the text of the notes on Chicago diversion. In fact, the text of the note of February 1, 1954, was read into the congressional record by Congressman Ostertag on February 2, but it was not tabled in the House of Commons until February 26. Similarly, the note of March 10 was tabled in the House of Commons on March 23. We understand from today's telephone conversation that the note

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[159] Outre les deux notes mentionnées dans le document 246, une troisième note a été envoyée au Département d'État des États-Unis le 24 août 1954. Voir volume 20, les documents 616 et 617.
In addition to the two notes mentioned in Document 246, a third note was delivered to the U.S. Department of State on August 24, 1954. See Volume 20, Documents 616 and 617.

might be more effective in the State Department if no publicity were given to it for some days.

3. We are therefore taking up the question of the release of the text of the note with the Minister. We are proposing that the text should be released sooner or later by tabling in the House of Commons. As in your view the note would be more effective in the State Department if no publicity were given to it for the time being, we propose that this tabling be delayed for the present. The position can be considered if questions are asked in the House or by the press. Meanwhile we presume that if publication of the note in Washington becomes desirable because of congressional consideration of the Chicago diversion bill, you will so inform us.

4. You will notice that the first sentence of the text contains an alternative wording. We should be glad to know the text which you actually use in the first sentence.

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249. DEA/1760-B-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM X-244 Ottawa, February 10, 1956

RESTRICTED. IMPORTANT.
Reference: My immediately preceding telegram.

CHICAGO DIVERSION

The following is the text of the note for despatch to the State Department. Text begins:

On instruction from my Government, I should like to refer to Bill S-2550 (or S-1772, whichever is appropriate) now before the United States Senate, concerning a proposal to divert water from Lake Michigan into the Illinois waterway for experimental purposes in aid of navigation, for a period of three years, at an annual average rate of 2,500 cubic feet per second in addition to domestic pumpage, an increase of 1,000 cubic feet per second over what is permitted at the present time. Similar bills have been introduced in Congress in the past few years requesting authorization for such an additional diversion to promote navigation and for other purposes.

2. The President of the United States on September 3, 1954, withheld approval from a similar bill submitted for his signature. In his memorandum of disapproval, the President pointed to the fact that the International Joint Commission, following upon a reference by the two governments, was engaged in a study of the levels of Lake Ontario which had a bearing on the question of the diversion at Chicago.[160]

3. The International Joint Commission instructed the International Lake Ontario Board of Engineers to study the effect on Lake Ontario levels of the proposed increased diversion at Chicago of 1,000 cubic feet per second for three years. The Board of Engineers submitted its report to the Commission on June 14, 1955. The report estimated that the increased diversion would lead to a lowering of levels of between one quarter of an inch and five-eighths of an inch at various points in the lower Great Lakes and St. Lawrence River down

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[160] Voir/See Volume 20, Document 621.

to the harbour of Montreal. The aggregate total loss of power to actual and planned power developments in Canada which would result from the three year additional diversion was estimated at 310,100,000 k.w. hours over the fifteen years during which the effects of the additional diversion would be felt.

4. If the proposed temporary diversion were adopted, the result would be a total diversion for all purposes at Chicago of approximately 4,200 cubic feet per second. It is estimated that the effect upon the levels of the lower Great Lakes and the St. Lawrence River of a total diversion of this size would be a lowering of levels at various points ranging from about two inches to almost three inches. Such a lowering of levels is of significance to navigation, particularly in years when, following the cycle of water supplies in the Great Lakes, very low stages are experienced. Moreover, the estimate of the loss in potential power given in the report of the Board of Engineers represents the effect of the proposed additional diversion only, and does not take into account the cumulative effect of past diversions. Because of the storage characteristics of the Great Lakes, the temporary diversion proposed will not give a real indication to the effects on the Great Lakes-St. Lawrence Basin of a permanent diversion of 1,000 cubic feet per second. These would be much more considerable than the computed effects of a temporary diversion.

5. I am accordingly instructed to make clear that, in the view of the Canadian Government, the enactment of the proposed legislation would be prejudicial to the navigation and power interests of both countries.[161] Text ends. Message ends.

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250. DEA/1760-B-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], July 9, 1956

CHICAGO DIVERSION

You will recall that a Chicago diversion bill was passed by the House of Representatives last year and it is now before the Senate Public Works Committee. This bill proposes to divert water from Lake Michigan into the Illinois Waterway for experimental purposes in aid of navigation, for a period of three years, at an annual average rate of 2,500 cubic feet per second in addition to domestic pumpage, an increase of 1,000 cubic feet per second over what is permitted at the present time. As in the past when similar bills have been introduced in Congress, the Canadian Government has formally protested to the United States Government that any further diversion of water at Chicago would be injurious to Canadian power and navigation interests.

2. Mr. Marselis Parsons of the State Department has recently appeared before the Senate Public Works Committee and stated that his department disapproved of this legislation in its present form because it envisaged unilateral action by the United States. He added,

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[161] Cette note, qui portait le numéro 113, a été envoyée au Département d'État le 13 février 1956. La première phrase de cette note faisait référence à la loi HR-3210, qui était identique aux lois S-2550 et S-1772.
This note, numbered 113, was delivered to the Department of State on February 13, 1956. The first sentence of the note referred to H.R. 3210, which was identical to S-2550 and S-1772.

however, that the State Department would not oppose the legislation if it were amended to provide that the water diversion as set out in the legislation would not take place before a negotiated arrangement with respect to it had been reached — satisfactory to both Canada and the United States.

3. Under the proposed amendment as stated, the Canadian Government would have the right of veto with respect to any water diversion and this fact has obviously not escaped the notice of Senators Dirksen and Douglas from Illinois. Having regard to the stand taken by the State Department, Senator Dirksen informally asked Parsons what the attitude of the Canadian Government would be if the amendment referred to above were made to the proposed legislation. This question in turn was relayed informally to our Embassy.

4. No formal request for an answer to Senator Dirksen's question has been made to our Embassy by the State Department. Having regard, however, to the fact that Mr. Parsons will have to make some reply to the Senator, we could, if you approve, tell the State Department informally what our views are on this matter. The context of our statement might be in line with one of the following alternatives:

(a) The Embassy could say that the Canadian Government has on several occasions in the past (the latest being by Note No. 113 of February 13, 1956) protested the further diversion of water from Lake Michigan at Chicago on the grounds that it was injurious to Canadian power and navigation interests and that its views in this respect have not altered. Nonetheless, if the proposed amendment were made to the legislation, the Canadian Government would be prepared to meet the United States request for negotiations in the hope that some agreement might be reached. The Embassy might indicate to the State Department that in accepting an invitation to negotiate we would be prepared to consider the merits of any proposal made but could obviously not guarantee that an agreement would be reached.[162]

(b) Instead of committing ourselves on this issue our Embassy could say that the question of whether Canada would agree to negotiate if such an amendment were made to the bill is purely hypothetical and could not be answered at this time; a reply could only be given when the Canadian Government had formally received an invitation to negotiate and had an opportunity to study properly its implications.

5. Since a positive statement would likely improve the chances of the amendment receiving approval from both the Senate and the conference of the two houses, I am in favour of adopting alternative (a) above. Admittedly alternative (b) has the advantage of not committing the Canadian government to agree to negotiations and at the same time does not imply refusal to do so if an invitation were forthcoming. It is unlikely, however, that this kind of answer would do anything to help the State Department have the amendment accepted.

6. I am forwarding a copy of this memorandum to the Deputy Minister of the Department of Northern Affairs and National Resources for the information of his Minister. Before commenting on this matter you might wish to discuss it with Mr. Lesage.

J. L[ÉGER]

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[162] Note marginale :/Marginal Note:
I think that we can give this assurance. L.B. P[earson]

251. DEA/1760-B-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], July 30, 1956

CHICAGO DIVERSION

On July 27 the United States Senate passed Bill H.R. 3210 providing for a temporary diversion of 1,000 c.f.s. of water from Lake Michigan to the Illinois Waterway for experimental purposes in aid of navigation for a period of three years. The bill had previously passed the House of Representatives and has been sent to the White House for Presidential approval.

2. In Note No. 113 of February 13, of which a copy is attached, the Embassy in Washington expressed the views of the Canadian Government on this bill. The note pointed out that according to an International Engineers' Report the proposed temporary diversion for a period of three years would lead to a lowering of water levels of between 1/4" to 5/8" at various points in the lower Great Lakes and St. Lawrence River. When the proposed new diversion is added to existing diversions, the total effect on lake levels is of the order of 2" to 3". Moreover, the loss of potential power resulting from the increased diversion at the existing and planned installations at Niagara and in the St. Lawrence River was estimated at 310,100,000 kilowatt hours over the fifteen years during which the effect of the increased diversion would be felt. The note concluded by expressing the view of the Canadian Government that the enactment of the proposed legislation would be prejudicial to the navigation and power interests of both countries. The note was tabled in the House of Commons on March 8.

3. You will recall that in 1954, when similar legislation was before Congress, we not only sent a note of protest before the Senate had acted on the bill, but we also sent a further note of protest when the bill was sent to the President and that you made a personal intervention with Mr. Robert Anderson, at the time Deputy Secretary of Defence. In a memorandum to Cabinet† dated February 7, which preceded the sending of the note of February 13, it was argued that this year we should not protest but send the United States Government a moderately phrased note simply pointing out the prejudicial effect of the proposed bill on Canadian and United States interests. The arguments advanced for this course in the memorandum to Cabinet were the following:

The fact that the proposed temporary increase of 1,000 c.f.s. is moderate when compared with the large diversions of the past;

the International Engineers' Report, published in 1955, which indicated that the effect on navigation of the proposed additional increase was not consequential;

the decreasing opposition to the measure within the United States; and

the possibility that a strongly worded protest in this case might serve as a United States precedent for a protest in case Canada decided to divert the waters of the Columbia, the Kootenay or the Yukon rivers.

4. I accordingly recommend that the Government should take no further action now and that we should maintain that our attitude is adequately expressed in the note of February 13.

5. Should a member direct a question to you at the House this morning, I recommend that you simply refer to the note of February 13, tabled in the House on March 8.[163]

6. There was a likelihood within recent weeks that the bill would be amended to provide for negotiation with Canada before the diversion went into effect. However, the Senate and the House have passed the bill without the proposed amendment.

M.H. W[ERSHOF]
for Under-Secretary of State
for External Affairs

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252. C.E.W./3176

Note de l'ambassade aux États-Unis
pour l'ambassadeur aux États-Unis

Memorandum from Embassy in United States
to Ambassador in United States

RESTRICTED Washington, August 10, 1956

CHICAGO DIVERSION

You will have seen in this morning's *New York Times* a report that the President has vetoed the Chicago Diversion legislation (H.R. 3210).[164]

2. I understand from the State Department that the Bureau of the Budget recommended veto action on the basis that not all the information relevant to the question of an increased diversion was available for study at this time. (This is probably a reference to the fact that the I.J.C.'s *final* report on the effects of an increased diversion and a similar study by the U.S. Corps of Engineers are not yet complete). I understand also that the Bureau of the Budget recommended to the President that his memorandum of disapproval[165] include a request to the State Department to discuss the Chicago Diversion question with Canada, when all the relevant information is available. (This would appear to leave the timing of talks with Canada to be determined by the State Department.)

3. I expect to receive copies of the President's memorandum of disapproval before noon today and will put it on the teletype immediately it is received, in case of questions in the House of Commons.

D.R. T[AYLOR]

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[163] Pour la déclaration de Pearson dans la Chambre des Communes le 2 août, voir Canada, Chambre des Communes, *Débats*, 1956, volume VII, pp. 7082 à 7083.
For Pearson's statement in the House on August 2, see Canada, House of Commons, *Debates*, 1956, Volume VII, p. 6844.

[164] Note marginale :/Marginal Note:
Very satisfactory [A.D.P. Heeney]

[165] Voir/See United States, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower 1956*, Washington D.C.: United States Government Printing Office, 1958, pp. 676-677.

253. DEA/1760-B-40

Note de la Direction de l'Amérique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from American Division
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], May 29, 1957

CHICAGO DIVERSION — AIDE MÉMOIRE

On March 11, 1957, the State Department presented an aide mémoire† to our Embassy in Washington. The aide mémoire made the following points:

(a) A number of identical bills have been introduced at the present session of Congress to authorize an increased diversion at Chicago of 1000 cubic feet per second.

(b) The reason for the proposed legislation is the rapid population growth in the greater Chicago area and the resulting sanitary problem despite construction of filtration plants which are among the most modern in the world.

(c) The proposed legislation would enable the United States Public Health Service to make new field studies over a three-year period in the Illinois waterway in order to evaluate water quality conditions, changes in chemical and bacteriological content, the persistence of aquatic life and other related subjects.

(d) Since an increased diversion would have recognizable effects elsewhere in the Great Lakes basin and St. Lawrence River it might be possible to increase the Long Lac-Ogoki diversions into Lake Superior by a comparable amount during the three-year period of the study.

(e) It is hoped that the Canadian Government will consider the extent to which it may be in Canada's over-all interest to refrain from interposing objection to the proposed legislation. The three-year diversion would result in authorization studies which would make it possible for Canada to weigh more accurately any future proposal for further increased diversions in this area and to decide where Canada's best interests might lie.

(f) Department of State would be pleased to make available representatives of the Corps of Engineers or the Public Health Service to explain in greater detail the Corps report or the health studies.

2. With respect to (e), our Embassy understands that State Department has two things in mind. In the first place, there are United States opponents to the legislation who have permitted in the past and are now permitting Canada to bear the brunt of responsibility for opposition, i.e. making Canada "the whipping boy". In the second place, if an epidemic should break out in Chicago the blame, wherever it might properly lie, would be placed upon Canada as the foremost opponent of the increased diversion.

3. A meeting was held with representatives of the Provinces of Quebec and Ontario and their respective hydro-electric commissions. Both spoke in the strongest terms against permitting any further diversion at Chicago if in any way it could be avoided. In addition, Ontario representatives stated that there is no additional water available at Long Lac-Ogoki.

4. The Advisory Committee on Water Use Policy has considered what action should be taken and has recommended that we accept the United States offer to have representatives of the Corps of Engineers and the Public Health Service explain matters to us. The Com-

mittee felt that more of the opposition should come from the states bordering the Great Lakes and from the Power Authority of the State of New York.

5. The attached draft aide mémoire states that the suggested additional diversion at Long Lac-Ogoki is not feasible. It further states that we would be pleased to have the representatives of the Crops of Engineers and the Public Health Service explain matters to us. In this connection, I would suggest that we invite representatives of the two provinces to be present at such meetings.

6. In addition, I feel that our aide mémoire should warn the United States now that an additional diversion at Chicago will cause us injury and that we consider that we have certain rights. In the attached draft, these rights are not spelled out as this would seem to be an inappropriate time to argue our position. However, what I have in mind are (a) Article II of the Boundary Waters Treaty, which states that we do not surrender any right to object to interference with these waters, (b) the Treaty of Washington, which provides for free and open navigation on Lake Michigan, and (c) the criteria approved by the two Governments for the operation of the regulatory works now being built in the International Rapids Section of the St. Lawrence River. Some members of the Advisory Committee may not be inclined to take such a strong stand at the present time. My own feeling is that we cannot appear to send a weak response after strong representations have been made to us by the provinces concerned. Furthermore, I feel that we should alert the United States Government if in fact we intend in our substantive reply to object to the proposed additional diversion at Chicago.

7. Legislation similar to that now proposed has been vetoed twice by President Eisenhower. What will happen this year we cannot foretell. However, unless we indicate clearly that we have strong views on the subject I fear that any possibility of a third veto will be greatly diminished.

8. The real concern, of course, is not with respect to the current proposal to divert 1000 cubic feet per second for a period of three years. The fear is that this is merely the camel's head in the tent and that in succeeding years more and more water will be diverted. I would hope that at some stage we might get the Americans to see the necessity for an agreement binding Chicago in perpetuity to a maximum diversion which might even be tied in to the generally prevailing levels of the Great Lakes which, as you know, are subject to substantial cyclical fluctuations. This view, it must be stressed, is entirely personal and has not been discussed in the Advisory Committee.

9. If you agree, I shall circulate the attached draft to the Advisory Committee for comments before having it done in final form. In view of the interim nature of this note, I assume it will not be necessary to obtain ministerial approval before despatch.

J.H. CLEVELAND

[PIÈCE JOINTE/ENCLOSURE]

Projet d'un aide mémoire

Draft Aide Mémoire

CONFIDENTIAL [Ottawa], May 29, 1957

State Department aide mémoire of March 11, 1957, requested early consideration by the Canadian authorities of the problems raised by H.R. 2 and other proposed legislation before the United States Congress concerning an increased diversion of water from Lake Michigan into the Illinois waterway.

2. With respect to the suggestion that the Government of Canada should examine the possibility of increasing the Long Lac-Ogoki diversion into Lake Superior to counteract the effects of the diversion at Chicago, the Province of Ontario has been consulted. It is regretted that such a compensating increase is not possible since virtually all the flow from the Albany River system is already being diverted into Lake Superior.

3. As is pointed out in the aide mémoire, an increased diversion out of Lake Michigan would have recognizable effects elsewhere in the Great Lakes basin and in the St. Lawrence River. The foreseeable effects of such a diversion necessarily occasion concern to the Government of Canada. An increased diversion from Lake Michigan at Chicago will inevitably cause injury to navigation and to hydro-electric generation with respect to both of which matters there exist international obligations between the United States and Canada.

4. In order that full consideration may be given to the problems raised by the proposed United States legislation, the Government of Canada would be pleased to have representatives of the Corps of Engineers and of the United States Public Health Service meet with representatives of the appropriate departments of government in Canada to explain in greater detail both the Corps of Engineers' recent report and the studies which would be carried out under the proposed legislation.

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254. DEA/1760-B-40

Procès-verbal de la réunion du Comité consultatif sur la politique relative à l'utilisation de l'eau

Minutes of Meeting of Advisory Committee on Water Use Policy

CONFIDENTIAL [Ottawa], May 30, 1957

Present:

Mr. R.G. Robertson, Deputy Minister of Northern Affairs and National Resources (Chairman).
Mr. J.H. Cleveland, representing the Under-Secretary of State for External Affairs.
Mr. A.F.W. Plumptre, representing the Deputy Minister of Finance.
Dr. A.L. Pritchard, representing the Deputy Minister of Fisheries.
Dr. V.K. Prest, representing the Deputy Minister of Mines & Technical Surveys.
Mr. M. Lamontagne, Privy Council Office.
Mr. T.R. Vout, representing the Deputy Minister of Trade & Commerce.
Mr. K. Kristjanson (Secretary), Mr. F.J. Thorpe (Assistant Secretary) Department of Northern Affairs and National Resources.

Also Present

General the Hon. A.G.L. McNaughton, Chairman, Canadian Section, International Joint Commission.
Mr. J.L. MacCallum, Legal Adviser, Canadian Section, International Joint Commission.
Mr. E.R. Peterson, Engineering Adviser, Canadian Section, International Joint Commission.
Mr. A.F. Broadbridge, Department of External Affairs.
Mr. M. Héroux, Department of External Affairs.
Mr. J.F. Parkinson, Department of Finance.
Mr. I.S. McArthur, Department of Fisheries.
Mr. E.A. Côté, Department of Northern Affairs and National Resources.
Mr. J.D. McLeod, Department of Northern Affairs and National Resources.

CHICAGO DIVERSION

1. Copies of a draft aide-mémoire, prepared by External Affairs and suggested as a preliminary reply to the United States aide-mémoire of March 11, 1957, were distributed. *The*

Committee revised the draft: the revision is attached hereto as an appendix. *Several members* thought that the wording of the unrevised draft might encourage the Americans to discuss problems other than sanitation, whereas this was the matter on which Canada wanted clarification. They felt that there should be strong emphasis on it. Moreover, it would be in line with previous Canadian policy to encourage all the "anti-diversionist" elements in the U.S.A. to fight the measure by pointing out the adverse effects on navigation and power on *both* sides of the boundary in addition to asking for a full explanation of the sanitation needs of Greater Chicago. *Some members* thought that to "express concern" about the diversion's "inevitable effects" on Canadian interests might be to suggest a new interpretation of Article II of the Treaty of 1909, and thus to imply the existence of limitations on the right to divert. If applied to the Columbia as well as to Lake Michigan, such an interpretation would be against Canada's interests. Canadian power interests in the Great Lakes-St. Lawrence Basin, however extensive, were small if compared with Canadian interests on the Columbia River. *Other members* thought that some concern had to be indicated to avoid giving the impression in the United States that Canada, by remaining silent, had approved the increased diversion. The revised wording achieved a compromise between these two viewpoints.

2. *Mr. Côté* reported that Mr. Duncan, Chairman of Ontario Hydro, understood the federal position against a formal protest by Canada, and thought that, if the legislation became law in the U.S.A., the best course of action for Ontario Hydro would be to seek redress in U.S. courts.

3. The Committee decided not to send copies of the aide-mémoire to the Ontario and Quebec governments immediately but agreed that it should be dispatched to Washington without delay.

[APPENDICE/APPENDIX]

Projet d'un aide-mémoire

Draft Aide Mémoire

CONFIDENTIAL [Ottawa], May 30, 1957

State Department aide-mémoire of March 11, 1957, requested early consideration by the Canadian authorities of the problems raised by H.R. 2 and other proposed legislation before the United States Congress concerning an increased diversion of water from Lake Michigan into the Illinois waterway.

2. With respect to the suggestion that the Government of Canada should examine the possibility of increasing the Long Lac-Ogoki diversion into Lake Superior to counteract the effects of the diversion at Chicago, the Province of Ontario has been consulted. It is regretted that such a compensating increase is not possible since virtually all the flow from the Albany River system above the point of diversion is already being diverted into Lake Superior.

3. As is pointed out in the aide-mémoire, an increased diversion out of Lake Michigan would have recognizable effects elsewhere in the Great Lakes basin and in the St. Lawrence River. The foreseeable effects of such a diversion necessarily occasion concern because, as is set out in the Canadian Note #113 of February 13, 1956, there would be injury to navigation and to hydro-electric generation in both countries.

4. The Government of Canada would be pleased to have representatives of the United States explain in greater detail to representatives of Canada the sanitation problems of the Chicago area and the studies which would be carried out under the proposed legislation.[166]

SECTION B

POLLUTION TRANSFRONTALIÈRE
CROSS-BORDER POLLUTION

255. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 29-56 Ottawa, February 13, 1956

CONFIDENTIAL

POLLUTION OF BOUNDARY WATERS

In 1946 the Governments of Canada and the United States referred the complex problem of the pollution of boundary waters to the International Joint Commission[167] and in October, 1950, the Commission presented to both governments a detailed report of its findings concerning the pollution in:

(1) The St. Marys River;

(2) The St. Clair River, Lake St. Clair and the Detroit River; and

(3) The Niagara River.

The Commission found that the boundary waters and tributaries leading to the boundary waters were being polluted on each side of the boundary to an extent injurious to health and property, contrary to the Boundary Waters Treaty of 1909. Eighteen Canadian and forty-three United States municipalities were mentioned in the report as causing such pollution of boundary waters. The principal Ontario municipalities were: Sault Ste. Marie, Sarnia, Chatham, Windsor, Fort Erie, Niagara Falls and Welland. The main causes of water pollution were domestic sewage and industrial waste, and it was considered by the Commission that those responsible for the pollution, i.e., municipalities, industries, vessel owners, etc., should bear the cost of the necessary remedial measures. At 1950 prices, it was estimated that proper treatment measures for the eighteen Canadian municipalities would cost $25,000,000, while Canadian industries in the areas under reference would need to expend $3,450,000. On the United States side, proper treatment installations for United States municipalities and industries would cost $76,500,000 and $22,650,000 respectively.

2. The International Joint Commission report recommended that certain "Objectives for Boundary Waters Quality Control" be adopted by the two governments to keep the waters in a satisfactory condition, that the remedial measures necessary to maintain this satisfac-

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[166] Cet aide-mémoire a été envoyé au Département d'État le 6 juin 1957.
This aide-mémoire was delivered to the Department of State on June 6, 1957.

[167] Voir volume 12, les documents 881 à 883 et 890.
See Volume 12, Documents 881-883, and 890.

tory condition be put into effect and, finally, that the International Joint Commission be authorized by the two governments to maintain supervision of boundary waters pollution. The United States Government approved the report and the recommendations in December of 1950, while the Canadian Government, following approval by the Cabinet in October, 1951, took the same action in November, 1951.[168]

3. In March, 1952, the International Joint Commission established two Technical Advisory Boards on the Pollution of Boundary Waters. Since this date, these boards in their periodical reports have found that industries in Canada have made considerable progress in abating water pollution, but that industries on the United States side continue to be delinquent although, as far as is known, not in such a manner as to have a dangerous effect on health. The Canadian municipalities named in the report, however, have made little progress. Representatives of the State of Michigan, appearing before the International Joint Commission in April, 1954, criticized Ontario municipalities (in particular Sarnia, Windsor and Sault Ste. Marie) for their failure to take definite steps to prevent boundary waters pollution. On July 14 of the same year the United States Government protested the dumping of raw sewage into boundary waters and specifically mentioned the three municipalities referred to above.

4. General McNaughton, Chairman of the Canadian Section of the International Joint Commission, wrote to the Secretary of State for External Affairs on September 23, 1954, and reported that Ontario municipalities were making little, if any, progress towards the solution of this very serious problem. He requested that the Canadian Government bring the gravity of the situation, with its possible breach of the Treaty, to the attention of the Government of Ontario. The Prime Minister wrote to Premier Frost in November, 1954, expressing his belief that the abatement of boundary waters pollution was a concern of the province and of the municipalities.[169] In his reply, Premier Frost stated that the problem was extremely complex and, although Ontario would do what was feasible, some form of federal-provincial fiscal arrangement would be necessary.[170] However, in his reply of March 24, 1955, to this letter, the Prime Minister rejected this proposal by stating that "the abatement of pollution of boundary waters cannot usefully be considered within the context of federal-provincial fiscal arrangements".[171] On the credit side of the ledger, it should be noted that the Minister of Health of Ontario stated in July, 1954, that all municipalities in Ontario would be required to have final engineering plans for sewage treatment plants ready for the letting of contracts by July 1, 1957.

5. The most recent protest from the United States was made at the International Joint Commission meeting in October, 1955. Representatives from the State of Michigan, supported by the United States Section of the International Joint Commission, claimed that Michigan municipalities could not continue their efforts to abate boundary waters pollution until assurances were received from the Canadian municipalities that they will also undertake measures to stop the pollution which they were causing. Unless some solution is reached, this problem will presumably be discussed in future semi-annual meetings of the Commission.

6. Although the report of 1950 stated that the Canadian and United States municipalities were actually polluting boundary waters to the injury of health and property to the United States and Canadian sides of the boundary (and therefore contrary to the Boundary Waters

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[168] Voir/See Volume 17, Document 855.

[169] Voir/See Volume 20, Document 610.

[170] Voir/See Volume 20, Document 611.

[171] Voir/See Volume 21, Document 460.

Treaty of 1909), it might be difficult to prove in a particular case before a court of law that a discharge of sewage originating in Canada does in fact cause injury to health or property on the United States side. However, by accepting the recommendations and objectives of the International Joint Commission report of 1950, it seems that Canada has assumed at least a moral obligation to see that appropriate steps are taken to abate the pollution of boundary waters by municipalities, particularly in the light of the progress made in Michigan.

7. The Secretary of State for External Affairs submits this memorandum for information only. No recommendations are submitted pending the outcome of a study by the Advisory Committee on Water Use Policy on the general question of pollution of waters throughout Canada.[172]

L.B. PEARSON

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256. DEA/8010-40

Le sous-secrétaire d'État aux Affaires extérieures
au sous-ministre de la Justice

Under-Secretary of State for External Affairs
to Deputy Minister of Justice

CONFIDENTIAL Ottawa, March 5, 1956

FEDERAL JURISDICTION CONCERNING POLLUTION OF BOUNDARY WATERS

The problem of the pollution of boundary waters has been of special concern to the United States and Canada since 1950. An engineers' report to the International Joint Commission found that both countries were polluting boundary waters to an extent injurious to health and property on the other side of the boundary, contrary to the Boundary Waters Treaty of 1909. Since 1950, United States and Canadian industries have been able to control their pollution, but the various municipalities mentioned in the report, particularly those in Canada, have taken few definite steps to abate the pollution which they are causing.

2. The Government of Canada, mindful of its international obligations under the Treaty, has attempted to persuade the Province of Ontario and, through it, the municipalities concerned, to abate this pollution of boundary waters by the construction of sewage treatment facilities. This policy of persuasion has had no significant results.

3. We should now like to obtain an opinion on the capacity of the Parliament of Canada to legislate in performance of Canadian obligations under the Boundary Waters Treaty in order to control or prevent pollution of boundary waters. I would appreciate it if you would answer the following questions:

(1) Can the Parliament of Canada legislate to implement Article IV, paragraph 2, of the Boundary Waters Treaty of 1909 to prevent or control pollution of Canadian boundary waters, or waters flowing across the boundary, to the injury of health or property on the United States side?

(2) If the answer to the above question is in the affirmative, can the Parliament of Canada legislate in particular to require Canadian municipalities to take effective measures to pre-

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[172] M. Pearson a présenté ce mémoire au Cabinet lors de la réunion qui s'est déroulée le 23 février 1956.
Pearson presented this memorandum to Cabinet at its meeting on February 23, 1956.

vent or control such pollution, i.e., pollution contrary to Article IV, paragraph 2, of the Boundary Waters Treaty?

4. I attach for your information a copy of a memorandum dated February 13, 1956, on the pollution of boundary waters which has been submitted to Cabinet by Mr. Pearson.

5. As this matter will arise at the April meeting of the International Joint Commission, it would be helpful if I could have your reply by the end of March.

6. This letter has been drafted following discussion in the Interdepartmental Advisory Committee on Water Use Policy. We understand that the Department of National Health and Welfare will be asking you for an opinion on the jurisdiction of Parliament to deal with water pollution generally. Our questions, however, are limited to pollution within the meaning of the Boundary Waters Treaty.

M.H. WERSHOF
for Under-Secretary of State
for External Affairs

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257. DEA/8010-40

Le sous-ministre de la Justice
au sous-secrétaire d'État aux Affaires extérieures

Deputy Minister of Justice
to Under-Secretary of State for External Affairs

Ottawa, April 6, 1956

Dear Sir:

FEDERAL JURISDICTION CONCERNING POLLUTION OF BOUNDARY WATERS

Further to your letter of the 14th ultimo, and subsequent telephone conversations between your Mr. Rogers and Miss Ritchie of this Department, I have to advise that this matter has now received consideration.

I understand that you desire my opinion on the following questions:

1. Can the Parliament of Canada legislate to implement Article IV, paragraph 2, of the Boundary Waters Treaty of 1909 to prevent or control pollution of Canadian boundary waters, or waters flowing across the boundary, to the injury of health or property on the United States side?

2. If the answer to the above question is in the affirmative, can the Parliament of Canada legislate in particular to require Canadian municipalities to take effective measures to prevent or control such pollution, i.e., pollution contrary to Article IV, paragraph 2 of the Boundary Waters Treaty?

I am of the opinion that the first question should be answered in the affirmative. The generality of the power vested in Parliament to legislate for the Peace, Order and Good Government of Canada is, in my opinion, adequate to implement the obligation of Canada referred to by you.

With reference to the second question as to whether Parliament can require municipalities to take effective measures to prevent or control pollution of boundary waters in breach of Article IV, I should need to have more information as to the substance of the legislative proposal. Although Parliament could neither compel a municipality to enact by-laws to prevent pollution, nor require the municipality to adopt a method of treating its sewage, I am satisfied that Parliament could forbid pollution generally of boundary waters and provide sanctions for the enforcement of such a law. Parliament could by appropriate legislation, therefore, prevent a municipality or any other corporation or person from allowing untreated sewage or harmful wastes to pollute the boundary waters.

Yours truly,
F.P. VARCOE

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258. DEA/2871-40

Le secrétaire d'État aux Affaires extérieures
au premier ministre de l'Ontario

Secretary of State for External Affairs
to Premier of Ontario

CONFIDENTIAL Ottawa, October 18, 1956

Dear Premier Frost:

You will recall that in 1946 the governments of Canada and the United States referred the problem of the pollution of boundary waters to the International Joint Commission. The studies made by the Commission, with the assistance of Ontario officials, were concerned with the waters of the St. Mary's River, the St. Clair River, Lake St. Clair, the Detroit River, and the Niagara River. Good progress is being made in this matter on both sides of the boundary.

I have now been informed by the United States Embassy that the Governors of the States adjoining Lakes Erie and Ontario and the International Section of the St. Lawrence River have recently recommended to the Department of State that a reference be made to the International Joint Commission for the control of pollution of these boundary waters, similar in nature to that which exists for the rivers connecting the Great Lakes. The recommendation of the Governors is made, in part, in the light of the St. Lawrence Seaway and Power project and the anticipated industrial development of this area.

The Government of the United States appears to be favorably disposed to the proposed extension of the Commission's pollution investigations and has invited the Canadian Government to join the United States in referring this matter to the Commission. While the existing 1946 reference to the Commission might be amended to include Lakes Ontario and Erie and the International Section of the St. Lawrence River, the United States view is that a new reference might be preferable since the studies and the establishment of water quality objectives have already been completed under the earlier reference.

I am forwarding to you a copy of the draft of a new reference proposed by the United States. At the present moment, this matter is being given preliminary study by officials of the Federal Government, and it is thought that in due course consultations might take place between Federal and Provincial authorities on the reply which might be made to the United States Government.

Yours sincerely,
L.B. PEARSON

[PIÈCE JOINTE/ENCLOSURE]

DRAFT OF INTERNATIONAL JOINT COMMISSION REFERENCE REGARDING POLLUTION OF LAKE ERIE, LAKE ONTARIO AND THE INTERNATIONAL BOUNDARY PORTION OF THE ST. LAWRENCE RIVER

I have the honor to inform you that the Governments of the United States and Canada have been informed that the waters of Lake Erie, Lake Ontario and the international boundary portion of the St. Lawrence River are being polluted by sewage and industrial waste emptied into these waters. Having in mind the provision of Article IV of the Boundary Waters Treaty signed January 11, 1909, that boundary waters and waters flowing across the boundary shall not be polluted on either side to the injury to health or property on the other side, the two Governments have agreed upon a joint Reference of the matter to the International Joint Commission, pursuant to the provisions of Article IX of said Treaty. The Commission is requested to inquire and to report to the two Governments upon the following questions:

(1) Are the waters of Lake Erie, Lake Ontario, and the international boundary portion of the St. Lawrence River actually being polluted on either side of the boundary to the injury of health or property on the other side of the boundary?

(2) If the foregoing question is answered in the affirmative, to what extent, by what causes, and in what localities is such pollution taking place?

(3) If the Commission should find that pollution of the character just referred to is taking place, what measures for remedying the situation would, in its judgment, be most practicable from the economic, sanitary and other points of view?

(4) If the Commission should find that the construction or maintenance of remedial or preventive works is necessary to render the waters sanitary and suitable for domestic and other uses, it should indicate the nature, location and extent of such works, and the probable costs thereof, and by whom and in what proportions such cost should be borne.

For the purpose of assisting the Commission in making the investigation and recommendations provided for in this Reference, the two Governments will, upon request, make available to the Commission the services of engineers and other specially qualified personnel of their governmental agencies, and such information and technical data as may have been acquired by such agencies or as may be acquired by them during the course of the investigation.

The Commission should submit its report and recommendations to the two Governments as soon as practicable.

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259. DEA/1760-40

Le secrétaire d'État aux Affaires extérieures
au premier ministre de l'Ontario

Secretary of State for External Affairs
to Premier of Ontario

Ottawa, April 27, 1957

My dear Premier:

In 1954 the Government of the United States requested the Canadian Government to join in a reference to the International Joint Commission, under Article IX of the Boundary Waters Treaty of 1909, directing the Commission to make an investigation of the alleged pollution by industrial wastes of Rainy River in the vicinity of International Falls, Minnesota and Fort Frances. This pollution, it was claimed, was having injurious effects upon fish life and consequently affecting the use of the river for fishing.

I have now been informed by the Ambassador of the United States that the Government of the United States desire to renew its suggestion for a reference to the International Joint Commission in the light of recent complaints which it has received alleging that the presence of pollutants in the waters of Rainy River and the Lake of the Woods is posing a threat to fish life in these waters.

You will recall that in my letter to you of July 24, 1954 I explained that it was the view of the Canadian Government that a Reference to the International Joint Commission on the alleged pollution of Rainy River, as requested by the United States, would be advantageous to both countries. At the same time, any arrangements for such a reference can only be effected through the close co-operation of the provincial and federal authorities concerned.

In the light of the foregoing I should be grateful if you would let me know whether the Province of Ontario would have any objection to a reference to the International Joint Commission of the subject outlined in paragraph two.

Yours sincerely,
L.B. PEARSON

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260. DEA/2871-40

Note de la Direction de l'Amérique

Memorandum by American Division

RESTRICTED [Ottawa], April 30, 1957

See also memo of 5/7/57.†

POLLUTION OF BOUNDARY WATERS

Since officials of the Ontario Government will be here on Monday, it may be an opportunity for you to mention to Dr. Berry the problems in connection with the two proposed references on pollution which we have received from the United States.

2. As you know the United States proposed reference on Lake Ontario, Lake Erie and the international section of the St. Lawrence River was received last October. A letter was sent to Premier Frost regarding this matter on October 18; this letter was signed by Mr. Pearson. An interim answer† was received from Mr. W.M. McIntyre, Secretary of the Cabinet on October 31, 1956. On November 28, 1956 we wrote to Mr. McIntyre and attached to this letter our proposed revisions† of the United States reference. Since no reply was forthcoming we wrote again to Mr. McIntyre on January 14, 1957 and asked if he could inform us how the matter stood. As you know we have had no further communication with Ontario. We have, of course, endeavoured to resurrect this subject through Mr. J.R. Menzies of the Department of National Health and Welfare who is in frequent communication with Dr. Berry. Although Dr. Berry has been anxious to help he has, unfortunately, not received any direction from either the Secretary of the Cabinet or his Minister.

3. With regard to the United States proposed reference on water pollution in Rainy River and Lake of the Woods, we are also awaiting word from the Province of Ontario. I should point out, however, that although the letter to Premier Frost left this Division approximately April 18, it was apparently not signed by the Minister, for obvious reasons, until April 27. Obviously, there has been no opportunity for Premier Frost to give his comments in regard to this reference.

4. Dr. Berry will undoubtedly be informed concerning the first reference and I do not think we need to do anything more than ask if he could do something about obtaining the Provincial Government's views on it. He may not, however, be informed on the later United States proposal and I am, therefore, attaching a copy of the United States Note which you could show him when you bring this matter to his attention.

A.F. BROADBRIDGE

SECTION C

PROJET D'ÉNERGIE MARÉMOTRICE DE PASSAMAQUODDY
PASSAMAQUODDY TIDAL POWER PROJECT

261. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 70-56 Ottawa, March 19, 1956

CONFIDENTIAL

PASSAMAQUODDY TIDAL POWER PROJECT

Under Public Law No. 401 of the 84th Congress, which was approved by the President on January 31, 1956, the United States Senate and House of Representatives requested that the Secretary of State arrange for the International Joint Commission to conduct a survey of the proposed Passamaquoddy tidal power project. Subsequently, in Note No. 212 of February 24, 1956,† the United States Ambassador asked for the Canadian Government's view on whether it wished to participate in the proposed survey and, if so, whether it would wish to share in the costs of the survey.

2. The terms of the reference as proposed in Public Law No. 401 are: to arrange for a final survey to be made to determine the cost of construction of the proposed Passamaquoddy tidal power project at Passamaquoddy Bay; to determine whether or not such cost would allow hydro-electric power to be produced at a price that is economically feasible; and to determine what contribution such a project would make to the national economy and to national defence. These terms appear to be satisfactory as far as Canada is concerned except that no mention is made of determining what effect the project would have upon the fishing industry. It is therefore considered that any references which is jointly made by our two countries would have to include a reference to a fisheries survey in the area.

3. It will be recalled that a similar approach to the Canadian Government was made by the United States Government in December 1952. The Canadian Government in its reply

(March 1953) declined to join in a reference on the grounds that there was no evidence to indicate that power in the large quantities and at the relatively high costs to be expected in the tidal power scheme would find or attract markets in the New Brunswick area in the near future. The project was, therefore, considered uneconomic, since a tidal power scheme of this scale would necessitate very large initial capital expenditures, and a large market would be required immediately to bear the carrying charges on the whole initial capital outlay. Further, it was believed that the Passamaquoddy tidal power project might have a serious adverse effect upon the fishing industry.

4. In discussing the latest invitation of the United States Government, the Advisory Committee on Water Use Policy considered that the courses of action open to the Canadian Government were as follows:

(a) Refuse the invitation of the United States Government to join in the reference on the grounds that the scheme was impracticable; *or*

(b) Accept the invitation to join in the reference and share equally with the United States Government in the costs of the survey; *or*

(c) Accept the invitation to join in the reference but not share in any costs; *or*

(d) Accept the invitation to join in the reference and share only in the relatively small costs involved in the studies which will have to be made on the effect of the project on the fishing industry. (In the International Joint Commission Report of October 20, 1950, the cost of the fish survey was estimated at $300,000, to be spent over a three-year period.)

5. The Committee considered that to refuse to join the United States in the reference would lay the Canadian Government open to the charge of lack of cooperation, not only by United States interests but also by certain New Brunswick interests. A natural consequence of a Canadian refusal to participate would be for the United States Government to make a unilateral reference to the International Joint Commission, which is legally possible. There has never been a unilateral reference and one on the Passamaquoddy would establish an unfortunate precedent. Having regard, however, to the studies made previously by the Canadian Government on this matter and there being no evidence to show that the tidal project is any more practicable in 1956 than in 1953, the Committee was reluctant to suggest that Canada should participate in the survey at an approximate cost of $1,500,000. For this reason, the Committee considered that Canada should accept the invitation of the United States to join in the reference, but participate in the costs only to the extent of accepting a share of the expenditure involved in any studies connected with the fisheries (alternative (d) above). Canada would, of course, pay the expenditures incidental to the attendance at meetings of the Canadian members of any international boards established by the International Joint Commission, and to any Canadian investigation and studies, should such be required in Canada's interests for clarification of reports and findings of the United States agencies. In joining the reference under these conditions, the Canadian Government would agree to facilitate the extension into Canada of the required surveys by the United States Government agencies and entrance into Canadian territory of the appropriate United States officials on the understanding that all information obtained on the project by the United States agencies would be made currently available to Canada through the Canadian section of the International Joint Commission.

6. It is believed that the above plan would be acceptable to the United States Government since a similar scheme for Canadian participation was suggested by the United States in its note of December 1952. Moreover, section 5 of Public Law No. 401 reads as follows:

"There is authorized to be appropriated not to exceed $3,000,000 to carry out this joint resolution, and any sum appropriated pursuant to this section shall be included in any determination of the proportionate share of the cost of construction of the Passamaquoddy tidal power project to be borne by the United States."

Recommendation:

The Secretary of State for External Affairs, with the concurrence of the Minister of Fisheries and the Minister of Northern Affairs and National Resources, recommends:

(a) that the Canadian Government accept the invitation of the United States Government to join in a reference to the International Joint Commission to arrange for a final survey to be made of the proposed Passamaquoddy tidal power project, on the understanding that in joining the reference, the Canadian Government makes no commitment for the eventual construction of the project;

(b) that the only contribution of the Canadian Government towards the costs of the survey will be for part of the fisheries investigation and for expenses incidental to the joint nature of this investigation, on the assumption that all the other costs of the survey will be borne by the United States Government, and that the expenditures of both governments for the survey will be included in their share of the cost of the construction of the project in the unlikely event that it is decided to proceed with it.[173]

L.B. PEARSON

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262. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 144-56 Ottawa, July 10, 1956

CONFIDENTIAL

JOINT CANADA-UNITED STATES REFERENCE TO THE INTERNATIONAL JOINT COMMISSION FOR THE PASSAMAQUODDY TIDAL POWER PROJECT

At the meeting of the Cabinet on March 22, it was agreed that Canada should join with the United States in a reference to the International Joint Commission for a survey of the desirability and feasibility of the proposed Passamaquoddy Tidal Power Project.

The terms of the reference have been discussed interdepartmentally and also with the United States Government through the United States Embassy here in Ottawa.

The attached draft reference has the approval of the interested Canadian departments of Government and it is understood that it will also have the approval of the United States Government.

Recommendation

The Secretary of State for External Affairs recommends that the enclosed draft reference be approved and that, as soon as official approval is received from the United States Government, the reference be submitted to the International Joint Commission.

L.B. PEARSON

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[173] Approuvé par le Cabinet le 22 mars 1956./Approved by Cabinet on March 22, 1956.

[PIÈCE JOINTE/ENCLOSURE]

CONFIDENTIAL

JOINT CANADIAN-UNITED STATES REFERENCE TO THE INTERNATIONAL JOINT COMMISSION ON THE PASSAMAQUODDY TIDAL POWER PROJECT

In accordance with the provisions of Article IX of the Boundary Waters Treaty of January 11, 1909, the Governments of Canada and the United States have agreed to refer and do hereby refer to the International Joint Commission the following matters for joint examination and advisory report, including conclusions and recommendations:

(a) It is desired that the Commission determine the estimated cost of developing the international tidal power potential of Passamaquoddy Bay in the State of Maine and the Province of New Brunswick, and determine whether such cost would allow hydroelectric power to be produced at a price which is economically feasible;

(b) The Commission is requested to determine the effects, beneficial or otherwise, which such a power project might have on the local and national economies in the United States and Canada and, to this end, to study specifically the effects which the construction, maintenance and operation of the tidal power structures might have upon the fisheries in the area.

2. In the discharge of its responsibilities under this reference the Commission is requested to review and, in so far as is practicable, make advantageous use of existing reports and plans such as the Report of March 15, 1950, submitted by the International Passamaquoddy Engineering Board to the Commission and the supplemental report of May 1952 prepared by the United States Army Corps of Engineers on the details of estimate of cost of a comprehensive investigation of the Passamaquoddy tidal power project. Having regard to the foregoing, the Commission should determine the most desirable general project design from the viewpoint of the public interest in United States and Canada respectively — such design to include plans for structure and appurtenant works in sufficient detail to form the basis of dependable cost estimates and considerations of economic feasibility.

3. In the conduct of its investigations, and otherwise in the performance of its duties under this reference, the Commission may utilize the services of specially qualified engineers and other experts of the technical agencies of the United States and Canada and will, so far as possible, make use of any pertinent data that may be available in such agencies or which may become available during the course of the investigations, thus avoiding duplication of effort and unnecessary expense.

4. The United States Government is willing to incur costs in connection with this survey up to $3 million, and the Canadian Government is willing to incur costs up to $300,000. Each Government has the right to participate at its own expense in all aspects of the survey to an extent appropriate with its interests. In making administrative arrangements for the necessary surveys and studies, the Commission should give suitable effect to these responsibilities.

5. The costs incurred by the Governments of the United States and Canada respectively under this reference will be credited against the costs to be borne by each of the Governments in the event that the project should be constructed as a joint undertaking by the two Governments. The decision of the two Governments to refer this study to the Commission does not imply any commitment regarding the eventual construction of the project.

6. It is the desire of both Governments that the Commission endeavour to complete its various surveys, investigations, studies and other activities under the Reference within a three-year period. Upon completion, it is requested that the Commission prepare and submit to the Governments of the United States and Canada a comprehensive report covering the subject matter of this Reference. The Commission's report should include the details of the specific design, cost estimates and an estimate of the benefits to be derived or the losses to result from this project.[174]

SECTION D

BASSIN HYDROGRAPHIQUE DU MIDWEST
MID-WESTERN WATERSHED

263. DEA/259-A-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 9, 1956

MID-WESTERN WATERSHED REFERENCE TO THE INTERNATIONAL JOINT COMMISSION

You will recall that last week you approved and signed the attached draft memorandum informing the Cabinet of the termination of the Mid-Western Watershed Reference, but not recommending any action. This memorandum had received the concurrence of both the Minister of Agriculture and the Minister of Northern Affairs and National Resources.

2. It appears, however, that at the Cabinet meeting on January 5, the Minister of Agriculture presented a memorandum† (also attached) in which mention was made that the Mid-Western Watershed Reference had been terminated. This Department was not consulted about the memorandum of the Minister of Agriculture. It is my understanding that Cabinet action was deferred on this memorandum, but since it revealed the present status of this Reference, it might be considered unnecessary to forward to Cabinet the memorandum prepared by this Department.

3. Despite the unfortunate timing in the submission of these two memoranda, I am of the view that since this is only the second time in the history of the International Joint Commission that the two sections of the Commission have found it necessary to submit separate reports to their respective governments, the information contained in our memorandum should be given to the Cabinet. Therefore, if you approve, arrangements will be made to submit our memorandum, as signed by you, to Cabinet as quickly as possible.[175]

J. L[ÉGER]

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[174] Approuvé par le Cabinet le 12 juillet 1956./Approved by Cabinet on July 12, 1956.

[175] Note marginale :/Marginal Note:
OK L.B. P[earson]

[PIÈCE JOINTE 1/ENCLOSURE 1]

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 8-56 Ottawa, January 10, 1956

CONFIDENTIAL

MID-WESTERN WATERSHED REFERENCE TO THE INTERNATIONAL JOINT COMMISSION

Under date of September 17, 1955, the Canadian Section of the International Joint Commission presented its Report (see Annex) to the Government of Canada relating to the Mid-Western Watershed Reference (No. 1), 12 January, 1948. A separate report to the Canadian Government by the Canadian Section of the International Joint Commission was mandatory under Article IX of the Boundary Waters Treaty of 1909, because the Commission was evenly divided on national lines upon the Reference mentioned above. It is a matter of regret that agreement between the Canadian and United States Sections was not possible, since this is only the second time in the long history of the International Joint Commission that the two Sections of the Commission have found it necessary to submit separate reports to their respective governments.

2. After engineering studies and investigations had been made, the Canadian Section concluded that no practicable, beneficial use of the Waterton and Belly waters within the United States could be made, despite United States claims that a dam in Waterton Lake and a diversion tunnel through the adjacent mountains was possible. The Canadian view was that the tremendous cost of such a tunnel precluded any possibility of the scheme being carried out. Accordingly, in the view of the Canadian Commissioners, no recommendation for apportionment of the waters could be made under the terms of the Reference and so far as Canada was concerned, action on the Reference was, therefore, completed.

3. In order to assist the United States, however, by making water available to irrigate some 70,000 acres in Montana, the Canadian Section offered to the United States Section, as a neighbourly act, a proposal outside the terms of the Reference. This proposal, which had the prior approval of the Canadian Ministers concerned and the Alberta Government, was put forward at the semi-annual meeting of the International Joint Commission on April 1, 1952. The Canadian proposal, which was offered in the form of a draft treaty, contained an offer to transport through Canada waters already apportioned to the United States by the International Joint Commission's St. Mary and Milk Rivers Order of 1921, but which the United States had not been able to use for lack of storage and transportation facilities, as well as certain waters of the Waterton and Belly Rivers which Canada could make available without injury to her own interests. Under this proposal, Canada would construct and operate the canals and other works provided the United States would pay for any capital expenditures and operating costs incurred on behalf of that country.

4. A counter proposal was submitted at the semi-annual meeting of the International Joint Commission in October 1952, by the United States Section which provided that a superior right to half the flow of the Waterton and Belly waters entering Canada would be granted to the United States, and "conveyance, storage, regulations and delivery, without cost and without loss of water" would be provided by Canada. The Canadian Section did

not admit the basis for any such right and accordingly this proposal was not acceptable to the Canadian Section.

5. Further studies on this Reference and on these proposals were made in 1953 and 1954. In March, 1955, the State of Montana placed before the Commission a proposal that since the Waterton and Belly rivers rise in the United States, then Montana was entitled to 50% of the flow of these waters, and in consideration of an agreement by the United States to relinquish these waters an equivalent amount should be diverted from the St. Mary River for use in the United States. The Canadian view was that the principle enunciated by the State of Montana was not in accordance with the Reference of 1948, or with international law as expressed in the Boundary Waters Treaty of 1909.

6. At an executive meeting of the International Joint Commission in April 1955, it was apparent that the divergence of opinion between the Canadian and United States Sections on the Reference could not be reconciled. The Canadian Commissioners remained convinced that there was no plan which would be practicable in the public interest to enable the United States to use the Waterton and Belly waters within its boundaries. Furthermore, it appeared from the conduct of the United States Commissioners that the United States claim to the waters of the Waterton and Belly rivers was not made solely because of a belief that these waters could be used in any practicable way in Montana, but perhaps also because it was hoped that the claim to these waters might be used as a lever to re-open the St. Mary and Milk Rivers settlement of 1921.

7. Since this Reference is now terminated, there is no legal obstacle to prevent the Prairie Farm Rehabilitation Administration from carrying out its plans for works in Canada on the Waterton and Belly Rivers, which have been held in abeyance while this matter was before the International Joint Commission.

8. The Secretary of State for External Affairs, with the concurrence of the Minister of Agriculture, and the Minister of Northern Affairs and National Resources, makes this submission for information only. It is not thought necessary or desirable to make any recommendations on this matter at this time.

L.B. PEARSON

[PIÈCE JOINTE 2/ENCLOSURE 2]

Le secrétaire de la Section canadienne
de la Commission mixte internationale
au secrétaire d'État aux Affaires extérieures

Secretary, Canadian Section, International Joint Commission,
to Secretary of State for External Affairs

[Ottawa], September 21, 1955

Dear Sir:

I enclose copy of report to the Government of Canada by the Canadian members of the International Joint Commission, pursuant to the final paragraph of Article IX of the Boundary Waters Treaty of 1909, relating to the Mid-Western Watershed Reference (No. 1), 12 January, 1948, signed at Regina, Saskatchewan, on 17 September 1955.

Yours faithfully,
E.M. SUTHERLAND

[PIÈCE JOINTE 3/ENCLOSURE 3]

Rapport des membres canadiens de la Commission mixte internationale pour le Gouvernement du Canada

Report from Canadian Members of International Joint Commission to Government of Canada

FINAL PARAGRAPH OF ARTICLE IX OF THE BOUNDARY WATERS TREATY OF 1909 RELATING TO THE MID-WESTERN WATERSHED REFERENCE (NO. 1)

12 JANUARY, 1948

Under date of 12 January, 1948, the Governments of Canada and the United States submitted a Reference to the International Joint Commission in accordance with Article IX of the Boundary Waters Treaty of 11 January, 1909. The International Joint Commission under the terms of the Reference was directed to examine and report on the following matters, namely:

"(1) To investigate and report on the water requirements arising out of the existing dams and other works or projects located in the waters which are of common interest along, across, or in the vicinity of the international boundary from the Continental Divide on the west up to and as far as the western limit of the St. Mary River drainage basin on the east.

(2) To report whether in the judgment of the Commission further uses of these waters within their respective boundaries by Canada and the United States would be practicable in the public interest from the points of view of the two Governments.

(3) Having regard to the reports made under paragraphs 1 and 2, to make advisory recommendations concerning the apportionment which should be made between Canada and the United States of such of the waters under reference as cross the international boundary.

(4) To conduct necessary investigations and to prepare a comprehensive plan or plans of mutual advantage to the two countries for the conservation, control, and utilization of the waters under reference in accordance with the recommended apportionment thereof."

The only rivers affected by the terms of reference are the Waterton and Belly Rivers, both of which rise in the State of Montana and flow northward into the Province of Alberta.

According to the report of the International Waterton-Belly Rivers Engineering Board appointed by the Commission to secure necessary data for the Commission, there are no existing consumptive uses in the United States of the waters of the Waterton and Belly Rivers arising out of existing dams and other works or projects located in these waters; but the water requirements arising out of existing dams and other works or projects located in these waters in Canada as of the date of the Reference are 86,920 acre feet annually increasing to a total of 120,670 acre feet annually under full development of such existing dams and other works or projects, and the water requirements on the Waterton River to provide a minimum flow of 30 c.f.s. to satisfy riparian and other uses in Canada was estimated at 21,710 acre feet. The report indicated that the average annual flow of the Waterton and Belly Rivers crossing the International boundary from Montana into Alberta is 363,200 acre feet.

In the judgment of the Canadian Commissioners there is no plan which would be practicable in the public interest to enable the United States to use these waters in the future within the boundaries of the United States and no real possibility of the United States being able at any time in the future to divert and put to beneficial use any part of these waters within the boundaries of the United States. On the other hand, the Prairie Farm

Rehabilitation Administration of Canada, in view of its belief that these waters could not be put to beneficial use within the boundaries of the United States, had made plans prior to the date of the reference to utilize all the water surplus in the Waterton and Belly Rivers on projects in Canada. These plans are based upon sound engineering data and in the judgment of the Canadian Commissioners are practicable and in the public interest. Some of the component parts of the plan were initiated prior to the date of the reference and others are now in process of construction.

Having regard to these facts the Canadian Commissioners were not prepared to prevent the use of any part of these waters by Canada by recommending an apportionment to the United States of these waters which could not be diverted and put to beneficial use within the boundaries of the United States. The Commission being evenly divided upon the matter referred to it for report, this report is made by the Canadian Commissioners to the Government of Canada pursuant to Article IX of the Treaty.

The Canadian Commissioners wish to take this opportunity of recording their appreciation of the technical advice and assistance given to them by the International Waterton-Belly Rivers Engineering Board and the Engineering Committee and other officials of Canada and the United States, and express their regret that a joint report of the Commission was not possible.

Dated at Regina, Saskatchewan, this 17th day of September, A.D. 1955.[176]

A.G.L. MCNAUGHTON
GEORGE SPENCE
J. LUCIEN DANSEREAU

5^e PARTIE/PART 5

RIVIÈRE COLUMBIA
COLUMBIA RIVER

264. DEA/5724-40

Le ministre des Affaires du Nord et des Ressources nationales au secrétaire d'État aux Affaires extérieures

Minister of Northern Affairs and National Resources to Secretary of State for External Affairs

CONFIDENTIAL Ottawa, February 3, 1956

My dear Colleague,

As you know, there has in recent months been a great deal of attention directed to some important water and hydro electric power problems that are of joint concern to Canada and the United States. These involve the Columbia and Fraser Rivers, the Yukon River, the Saint John River, and also several smaller rivers that have not received the same amount of public attention. I have been considering what action the federal government ought to take, if any, at this time toward a solution of several of the problems and I should like in this letter to put my personal views forward for your consideration. I am sending a letter the same as this to our colleague, the Minister of Trade and Commerce, so that I can get his comments as well.

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[176] Les membres du Cabinet ont examiné ce mémoire lors de la réunion qui s'est déroulée le 18 janvier 1956.
This memorandum was discussed by Cabinet at its meeting on January 18, 1956.

I think that we have arrived at a critical point in arrangements for the use of water resources in rivers which are not boundary waters but which flow across the international boundary in one direction or the other. The situation in relation to the Columbia River is quite well known. There have been a number of proposals from the United States for measures to develop power from its waters through the provision of storage in Canada. The most notable recently have been the proposal for a dam at Libby, Montana, which would back water into Canada, and the Kaiser proposal to develop storage on the Arrow Lakes. In the Libby case, the Canadian Government took the position, on July 7th, 1954, that the International Joint Commission's approval of the Libby project should be subject to a condition that all results from the over-all study of the Columbia Basin should be taken into account.[177] That study is not yet complete and will not be for another two years or so. The government's decision was accordingly one that imposed a substantial delay on any action. We and the government of British Columbia both brought up the question of downstream benefits. The Kaiser proposal was a most undesirable one. It led to the passage of the International River Improvements Act and to a good deal of controversy with the British Columbia Government, and the development was prevented. In both of these cases we can be cast in the role, both domestically and internationally, of an obstacle to power development, without being able to disclose thus far in our defence any action on our part to bring about alternative developments or to solve the problems that stand in the way of such developments.

The federal government did take action more than a year ago to initiate a study of the economic feasibility of diverting water from the Columbia River to the Fraser River.[178] This study is not yet complete but it has already been made apparent that, however the economics turn out, there is going to be a major problem with regard to the Fraser River salmon fishery which may prevent any diversion for power purposes. It might well be that the plan will not lead to any positive results. Accordingly, the diversion study may, in the end, not appear as a positive contribution by the federal government.

In the case of the Yukon River there was about 1950 a proposal for a diversion from Canada that would permit the development of a very large block of power by the Aluminum Company of America on the Taiya Inlet near Skagway in Alaska.[179] The federal government at that time took the position (as in the Kaiser case) that Canadian resources should, if at all possible, be developed in Canada and not devoted to use in another country. Following this, Ventures Limited worked out their plan for a diversion of Yukon river water which would develop power on the Taku River in northern British Columbia. This project has been under active consideration for several years and seems to be economically feasible. However, in presenting a brief to the Gordon Commission[180] in Victoria, Ventures Limited said that the fear of international complications in their project had kept industrialists from committing themselves to participate and were holding it up.

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[177] Voir/See Volume 20, Document 600.

[178] Voir/See Volume 20, Document 607.

[179] Voir volume 16, chapitre VIII, 2ᵉ partie, section C et volume 17, chapitre VII, 2ᵉ partie, section E.
See Volume 16, Chapter VIII, Part 2, Section C and Volume 17, Chapter VII, Part 2, Section E.

[180] On fait référence à la Commission royale d'enquête sur les perspectives économiques du Canada, dont le rapport a été produit en novembre 1957 et que présidait M. Walter Gordon.
Refers to the Royal Commission on Canada's Economic Prospects which reported in November 1957 and was chaired by Walter Gordon.

In all of these cases where large power projects are involved, international complications, or the fear of them, play a major part in the preventing or delaying development. In all of these cases, too, the federal government can be made to appear as the agency which, so far as Canada is concerned, has prohibited the developments that have been proposed. It can also be said, with truth, that if the international complications are holding up developments it is the duty of the federal government to try to have them removed.

In the above cases the problems that arise are of two kinds — in some instances both are present, in others only one. One problem is the way in which benefits should be shared which flow from developments upstream on a river that crosses the international boundary lower down. This is the downstream benefit question and since it arose with such importance on the Columbia River it is showing itself up on a good many other river problems that come before the International Joint Commission. Both the United States and Canadian sections have felt the need to be extremely careful in dealing with all benefit cases so that any points yielded on, say, the small Souris River, would not arise as questions of principle to imperil a national interest on a larger river. The second problem has been that of the right of the upstream state to divert water and also the extent and character of the right of the downstream state to be heard or to receive compensation.

The problem of downstream benefits is entirely unsettled but it clearly has to be worked out in some fashion before a good many projects can proceed. As to the diversion question, it is covered by Article II of the Boundary Waters Treaty — an article which was forced on Canada in its present terms. Under it each country has the unlimited right to deal with water that crosses the boundary while it is on its own side of the boundary. Principles of compensation are set forth but there is some doubt whether the form of compensation is effective and there is complete doubt as to just what constitutes a downstream appropriation for which a citizen or other interest there is entitled to compensation. Canada has a strong position in the complete right that is given to divert, since in most important cases we are the upstream state, but we have to recognize that there are a good many unsolved problems in the situation which can and are likely to lead to serious difficulties with the United States if we put our rights into effect too baldly.

There have been a number of suggestions from various sources that negotiations should be undertaken with the United States to solve these water problems. The Premier of British Columbia has suggested this twice in press interviews in the last few months. The Leader of the Liberal Party in British Columbia has recently placed a motion on the Order Paper in the Provincial House advocating discussions. Newspaper and other agencies have made similar proposals. The Member of Parliament for Vancouver - Quadra suggested in the House of Commons on January 23 (Hansard, p. 396) that "a treaty must be negotiated with the United States concerning payment for downstream benefits." He asked what the federal government had done about the problem.

At the same time that complications have arisen in this field developments are going forward to try to provide alternative energy sources at costs comparable with those of cheap hydro-electric power. It was recently announced that the Kaiser Company has entered into a long-term contract to secure thermal power on the Ohio river for the production of aluminum and for an aluminum rolling mill. The power will be produced from coal and the contract calls, apparently, for 450,000 k.w. at a price of about 4 mills. If thermal power can be produced at such a price on a large scale in the United States it will seriously diminish the relative advantage of large scale hydro electric power. Atomic power may not be in the same cost bracket for quite some time, but it is a prospect on the horizon. In these circumstances it is difficult to feel that time is on our side. The government would be particularly vulnerable to criticism if it had not acted to remove obstacles in the way of hydro electric power development and then found that the potential industrial users of such power had turned to other sources. All in all it appears to me that the federal government must initiate action to solve some of the problems I have referred to.

There have in recent months been some discussions of these matters in the International Joint Commission. On April 5th, 1955, the Chairman of the Canadian Section made a statement on the problem of downstream benefits and the Fraser diversion study and suggested a general discussion in the Commission "which might lead to the formulation of principles" for application in the Columbia valley.[181] General McNaughton outlined the Canadian position and made some specific suggestions as to subjects for discussion. At the next meeting of the Commission on October 4th, 1955, the Chairman of the United States Section made it clear that the proposed Fraser River diversion would result in great harm to the United States and indicated that there was no satisfactory basis for the joint discussion of the specific subjects that had been mentioned by General McNaughton. Both General McNaughton and Governor Jordan have, as a result of these exchanges, been forced to take positions publicly which will make it difficult for them to negotiate, particularly if such negotiations have to be in the public forum of the International Joint Commission.

The United States also suggested informally nearly a year ago that a reference should be made to the International Joint Commission to study all waters crossing the boundary between Canada and Alaska. We have managed to put the proposal off so far but there have been clear indications that the U.S. plans to return to the question. A reference could hold up any development of the Yukon for years unless great care were taken. I think it would be quite undesirable to get involved in a reference but it may be difficult to avoid unless discussions are entered into to set forth the developments we propose in Canada and to settle the difficult issues that are bound to arise at some stage. With the position Governor Jordan has taken on the Columbia I do not see much hope of working this matter out in the International Joint Commission.

Apart from the difficulties that are presented by the publicity that has attached to exchanges in the Commission it seems to me that the question of downstream benefits and the problems relating to diversions are fundamental questions of policy on which discussions to arrive at solutions of principle have to occur first on a direct government-to-government basis. The International Joint Commission has been able to deal effectively with problems relating to boundary waters because the principles were worked out in advance and incorporated with clarity in the Boundary Waters Treaty. The reason, I think, that it has been impossible to deal successfully in the Commission with recent questions of benefit-sharing in the case of rivers that cross the boundary is because the problem of downstream benefits has not been settled at all as between the governments and the position under Article II with regard to diversion leaves a great many unanswered questions. I think that only the two governments can negotiate as to acceptable arrangements from the respective national points of view on the problem of downstream benefits, and only the Government of Canada can consider how far, if at all, it should modify its position with regard to rights to divert and the character of compensation. Only the two governments also can settle the points unanswered in the Treaty, as to what constitutes a downstream appropriation which gives a right to compensation when a diversion takes place. All of these questions involve, basically, the problem of determining how far to go in establishing principles about the sharing or division of national resources in a case where the Treaty is silent (downstream benefits) or in a case where we have a clear right to use a resource and have to consider how far this country ought to go to meet the undoubtedly violent objections that could arise from the U.S. (the Article II problem). They are questions of high policy of the kind that should, I think, be settled directly between the governments.

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[181] Voir volume 21, les documents 477 et 479./See Volume 21, Documents 477 and 479.

In other words, both because of the tactical difficulties that have developed in the Commission, but more fundamentally because of the policy character of the questions involved, it seems to me that what is needed is to initiate discussions between Canada and the United States on a governmental basis. It also seems to me, for the reasons I have outlined above, that there are strong arguments in favour of the Government of Canada taking the initiative and doing so at an early date.

There are two considerations in relation to the position in the United States. One is that Senator Neuberger, a Democrat, has advocated with much publicity that discussions must be between the governments and not in the International Joint Commission. In doing so, he has strongly attacked Governor Jordan in a highly political way. Because of this it may be difficult for the U.S. government to agree to have special discussions without appearing to repudiate Governor Jordan. However, what is quite certain is that they cannot take the initiative in suggesting them. The initiative must come from us, and it must be so handled that it can be accepted by the U.S. government without appearing to be a reflection on Governor Jordan.

The second consideration is that there will be a presidential election in November and water questions can be expected to be politically sensitive. We cannot expect, in such circumstances, to make any significant progress before the election. However, the discussions are bound to be long drawn out in any case and I do not think we could expect to clear more than the preliminaries by November. The prospect of the election does not, to my mind, constitute a reason why we should not make an approach on the matter.

If discussions were to be initiated the most careful consideration would have to be given to the basis on which they should be launched. Clearly we must not abandon the position that we have a complete right to make any diversion we see fit under Article II. This is most important in itself and it can be an important bargaining factor in working out a satisfactory solution on the problem of downstream benefits. It also is a reason why the Columbia River should not be considered in isolation since the possibility of diversion there is, at best, doubtful. The Yukon River is a case where a diversion is clearly practical and for that reason, apart from its intrinsic importance, it seems to me that it should be in the forefront of any discussions. If the government were to decide in principle that discussions should be initiated I think I should instruct the Advisory Committee on Water Use Policy to work out recommendations as to the basis for opening discussions and as to the tactics that should be followed.

I should very much appreciate it if I could have your comments on these proposals. You might wish to discuss the matter with Mr. Howe and me. If the consensus of the three of us is along the lines I have outlined, I think I should then discuss the question with General McNaughton so as to outline the reasons why it is felt that discussions should be undertaken between the governments in the first instance rather than in the International Joint Commission. I would certainly want to get his views and it would, I think, be most important to have his advice in the course of any discussions that developed. He and his staff have experience and background in these matters that could, I hope, be drawn on by the government. As a third step I would propose to submit a memorandum to the Cabinet asking for approval for negotiations to be undertaken.

Please let me have your views.

Yours sincerely,
JEAN LESAGE

265. DEA/12355-40

Le ministre du Commerce
au ministre des Affaires du Nord et des Ressources nationales

Minister of Trade and Commerce
to Minister of Northern Affairs and National Resources

CONFIDENTIAL Ottawa, February 6, 1956

My dear Colleague:

Thanks for your confidential letter of February 3rd.

Without having been able to discuss the matter with Mr. Pearson, I have no hesitation in saying that I am convinced that a solution of the problem of downstream benefits on international rivers will never be solved by the International Joint Commission. I have suggested on several occasions that a Cabinet Committee be formed to deal with this matter. My thought in this connection was that we propose to the United States that a special tribunal be established to deal with this one matter.

I also agree with you that the question is becoming urgent. I fear that our international relations may be affected seriously by further delay in dealing with this matter. However, I would assume that no progress can be made in appointing the tribunal until after the next United States election, although an approach to the United States Government could be made prior to the election. I am sure that even an approach by Canada would do much to quiet the bad feeling that is being developed in certain quarters.

Thanks for bringing this to my attention.

Yours sincerely,
C.D. HOWE

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266. DEA/12355-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], February 13, 1956

RIVERS FLOWING ACROSS THE BOUNDARY: PROPOSED NEGOTIATIONS WITH THE U.S.

I attach a copy of a letter of February 3 which you received from Mr. Lesage, proposing that negotiations be opened with the Government of the United States through normal diplomatic channels on problems relating to rivers which flow *across* the international boundary. The two chief issues are:

(a) diversions of such rivers, and

(b) downstream benefits, i.e., the sharing between upstream and downstream interests of the increased electricity production resulting from storage projects in the upstream area.

These issues arise on the Columbia and Fraser rivers, the Yukon River, the Saint John River, and also on several smaller rivers which flow across the boundary. We have been informed by the Department of Northern Affairs and National Resources that Mr. Howe has already replied to Mr. Lesage's letter expressing the view that these questions should not be dealt with in the International Joint Commission, but that a "special international tribunal" should be created to deal with the Columbia problems. I understand that there has been some discussion between you and Mr. Lesage on this proposal.

2. Officials in the Department have not had time to give Mr. Lesage's proposal the full consideration it deserves. The International Joint Commission has been dealing with the Columbia and Saint John Rivers. The studies of the International Joint Commission on the Columbia River will not be completed for at least two years, and the Canadian Government's own study on the feasibility of the diversion from the Columbia into the Fraser is to be ready by July 1. In view of these pending studies and the belief that our bargaining position on both questions is strong, it had generally been assumed by officials in External Affairs that no negotiations would be proposed at this time. What follows is, therefore, the result of brief consideration since we saw Mr. Lesage's letter.

3. The Boundary Waters Treaty of 1909 does not provide a set of rules which the International Joint Commission merely needs to interpret, when it is faced with a dispute on waters flowing across the boundary as distinct from waters through which the boundary passes. On the question of diversion, Article II of the treaty provides that the upstream state may divert the water from one river to another in its territory as it wishes, the only risk being a suit for damages by interests adversely affected downstream. This suit would be brought in the courts of the upstream state. There would be considerable merit in the two governments ending this state of affairs by agreeing to an equitable set of rules to adjudicate between upstream and downstream rights. Similarly, there is no provision in the treaty on the question of downstream benefits. Before further plans for development of electricity can be made on the Columbia, the Yukon, and also on other rivers, appropriate formulae have to be worked out for downstream benefits. Although the work of the International Joint Commission could contribute to the solution of both of these matters, ultimately negotiations between the two governments would in all probability be necessary. The question posed by Mr. Lesage's letter, accordingly, is whether *now* is the right time to embark on these negotiations, and whether Canada should take the initiative.

4. Some of the arguments in favour of initiating negotiations now appear to be:

(a) We have always proceeded on the assumption that time is on Canada's side. The Department of Northern Affairs and National Resources is now coming to doubt this; competitive sources of electrical energy, such as coal-operated thermal plants and atomic plants, may soon produce electricity cheaply enough to detract from the present financial advantage of hydro-electric power. Moreover, the decreasing proportion of hydro-electric power in the whole supply system over the next ten to twenty years may also make the need to make a bargain for water storage appear less pressing.

(b) We cannot be absolutely confident of the outcome of current Canadian engineering studies on the feasibility of diverting the Columbia into the Fraser. Our bargaining position would be weakened if these studies turned out to be less promising than was predicted. As these studies are due to be completed by July 1, it is quite likely that their results would become known to the Americans in the following two or three months. As we do not envisage the negotiations being concluded this year, the possibility of an adverse report on the feasibility of the Columbia diversion would have to be taken into account in any event, whether negotiations are started now or later.

(c) Senator Neuberger has publicly acknowledged that there is a case for Canadian claims to compensation for benefits conferred downstream by regulated storage upstream in Canada. This admission by one senator that Canada has a case is in contrast to the attitude adopted by a number of United States spokesmen in the past.

(d) As Senator Neuberger has publicly attacked Governor Jordan, the United States Chairman of the International Joint Commission, it would be very difficult for the United States to initiate diplomatic negotiations now, as this would imply a lack of confidence in Governor Jordan. Hence, if negotiations are to be initiated, Canada would probably have to move first.

5. The arguments against appear to be:

(a) Such an initiative on Canada's part may suggest to some people in the United States that the Canadian Government is unable (for engineering or financial reasons) to carry out the proposed diversion, or unwilling (for political reasons, possibly connected with fish) to carry out the proposed diversion. Our negotiating position might therefore *appear* weak, whereas on the Yukon diversion at least, our position is in fact good, and our short-term position on downstream benefits is also strong.

(b) Although hydro-electric power may be losing its relative price advantage, nevertheless the power potential of the Columbia and Yukon basins remains a great national asset, and arrangements made for these rivers will last for a very long time, probably for generations. Hence there is an argument for waiting until the existing studies have been completed and digested before entering upon negotiations. Moreover, both Governor Jordan and General McNaughton are in favour of further studies under International Joint Commission auspices, although they have failed so far to agree to the terms of these studies.

(c) There are no clear generally accepted ideas amongst Canadian officials at present as to the ends we should seek in negotiations either on the diversion issue or on the downstream benefits issue. There is no body of specialists which has been built up over the years comparable to the specialists on the St. Lawrence. We are thus not very well prepared to embark on negotiations at present.

(d) There is at least room for doubt about our ability to keep the Yukon River rather than the Columbia in the forefront of the negotiations, now that Frobisher-Ventures has announced its temporary abandonment for plans for development of the Yukon.

In addition, there may be other considerations of which officials are unaware which would have a bearing on the timing of negotiations.

6. As Mr. Lesage does not envisage that negotiations would pass beyond the preliminary stage before November of this year, there appears to be no great urgency for taking the decision. In this case you might think it desirable to suggest that Mr. Lesage's proposal be studied by the Advisory Committee on Water Use Policy before it is taken up by the Cabinet.

7. There seem to be a number of difficulties about the proposal for a special international tribunal which has been put forward by Mr. Howe to Mr. Lesage.[182] There would need to be lengthy negotiations on the terms of reference of such a tribunal. Moreover, if the tribunal were to be of a quasi-judicial character and to hold public hearings, Canada could expect to find itself in the position of appearing before the tribunal to defend the rights conferred on it by Article II of the Boundary Waters Treaty. In so far as hearings and studies by a tribunal can contribute to the solution of these issues, then presumably the International Joint Commission, with its established position, procedures and expert advice, can fulfil this role. One of the reasons for Mr. Lesage's suggestion is that confiden-

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[182] Note marginale :/Marginal Note:

Mr. Pearson also sees many objections to Mr. Howe's proposal. M. W[ershof] tial diplomatic negotiations are more likely to achieve a result than proceedings in a public forum, and this argument would appear to apply against a tribunal as to the International Joint Commission. If it is proposed that the new tribunal should arbitrate as between conflicting national policies, then this raises the question of the desirability of Canada permitting its interests in such a serious question to be decided upon in this way.

8. Before drafting a reply to Mr. Lesage's letter for your consideration, I should be grateful for your guidance on these questions.

9. I am sending a copy of this memorandum and of Mr. Lesage's letter to the Embassy in Washington, with a request for their comments.

I am afraid that this will not satisfy Mr. Lesage nor, for that matter, any of your Cabinet Colleagues.[183] The problems as posed by Mr. Lesage is mostly political. Mr. Wershof and myself have a few political thoughts and we are at your disposal if you would care to call us in.[184]

J. L[ÉGER]

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267. DEA/12355-40

Le secrétaire d'État aux Affaires extérieures
au ministre des Affaires du Nord et des Ressources nationales

Secretary of State for External Affairs
to Minister of Northern Affairs and National Resources

CONFIDENTIAL Ottawa, February 17, 1956

My dear Colleague,

I have considered the proposal put forward in your letter of February 3, that negotiations on a governmental and diplomatic level should be initiated with the United States on problems concerning rivers which flow across the international boundary. You have put forward strong arguments for the necessity of such negotiations and also for their early initiation by Canada. I am sure you will agree however that before embarking on negotiations, it is desirable that we should have received and digested the technical reports on questions like these. Moreover, it would also be desirable that we should have a clear idea of what we are trying to obtain, both on downstream benefits and on the diversion of rivers. Generally speaking, I am impressed by the need for careful consideration of this rather complex subject.

I would suggest that at this stage you might convene a meeting of the interested Ministers to discuss this proposal. In addition to Mr. Howe and myself, you would probably want to invite one of the Ministers from British Columbia, possibly Mr. Sinclair, in view of his particular interest in the Columbia and Fraser Rivers as Minister of Fisheries. We could then have a preliminary discussion of your proposal and we could, amongst other things, consider whether or not it would be advisable to have the Advisory Committee on Water Use Policy study the proposal before Cabinet is asked to consider it.

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[183] Note marginale :/Marginal Note:

Feb. 17 Mr Pearson would like a letter to Mr Lesage (copy to Mr Howe) suggesting that Ministers get together to discuss this & perhaps then ask Advisory Committee M. W[ershof]

[184] M. Léger a ajouté au mémoire ce paragraphe écrit à la main.

Léger added this paragraph to the memorandum by hand.

I am sending a copy of this letter to Mr. Howe.

Yours sincerely,
L.B. PEARSON

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268. DEA/12355-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM X-334 Ottawa, February 24, 1956

SECRET. IMPORTANT.

RIVERS FLOWING ACROSS THE BOUNDARY: NEGOTIATIONS WITH THE UNITED STATES

We have referred to you a copy of Mr. Lesage's letter to the Minister of February 3, and of our memorandum to the Minister of February 13 on this subject. We are sending you today a copy of Mr. Lesage's memorandum to the Cabinet dated February 22.†

2. This question was discussed several days ago at a meeting between Messrs. Pearson, Howe, Sinclair and Lesage, and as a result it was decided to recommend to the Cabinet that discussions be initiated with the United States on this issue, and that the Advisory Committee on Water Use Policy be instructed to make recommendations as to the basis for opening discussions, and as to the course which should be followed in carrying them out. This recommendation was approved by the Cabinet yesterday. We shall keep you informed of the discussions in the Advisory Committee.

3. In his memorandum to Cabinet Mr. Lesage envisages that the discussions would be long and drawn-out, and that we need not expect to clear more than the preliminaries before the election in November. However, the Government may well decide that the first approach to the United States should be made fairly soon, that is, within the next two or three weeks. I should be glad to have your views as to the timing of the initial approach, and generally on the basis for opening these negotiations.

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269. DEA/12355-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 332 Washington, February 27, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Your X-334 of Feb 24/56.

RIVERS FLOWING ACROSS THE BOUNDARY: NEGOTIATIONS WITH THE UNITED STATES

We had prepared, before receipt Saturday morning of your telegram under reference, a rather long message containing our views and comments on Mr. Lesage's proposal. Although parts of this message have now been overtaken by events we have decided to send it (our immediately following telegram) as originally drafted in the hope that it will be of some help to you particularly on the two aspects of Mr. Lesage's proposal with which it dealt: (a) the question of Canadian-United States relations and (b) the likely reaction of the United States Government to our proposal.

2. You will see that our views and comments were in strong support of the decision which has now been taken by Cabinet.

3. However, you will also see that it is not at all easy — on the basis of the slight evidence available — to forecast what the reaction of the United States Government will be to a proposal by Canada that negotiations be conducted through the diplomatic channel rather than in the IJC. It is far from certain that the reaction will be favourable. Nor is it easy, therefore to offer anything like firm views on the question of the timing of our initial approach to the Americans.

4. As I indicate in my immediately following telegram, it would appear to us that the chances of the United States Government accepting our proposal would be better later on than they are now. A proposal by US in the next two or three weeks to "negotiate" solutions intergovernmentally could possibly be rejected. However, it is difficult to conceive a rejection of a proposal for "discussions." In any case and on balance, I would think that our approach might be made as soon as we are ready to make it and as soon as we are ready to engage in the discussions envisaged.

5. The Prime Minister's and your meetings here in a month's time could I think be used to support our proposal. To take full advantage of them, it might be advisable if our formal proposal for "discussions" were put in just prior to these meetings.

6. I assume that although you speak of initiating "discussions", what you have in mind is that a solution to at least some of the issues relating to rivers flowing across the boundary should be sought through government-to-government "negotiations." We should expect therefore that this will have to be made clear to the United States Government when we make our proposal (unless the possibility is envisaged that the initial "discussions" will relate only to the advisability of opening intergovernmental "negotiations"). We should also expect that the United States will ask us what specific issues we want to have negotiated. In this connection, it would be advisable, I think, to tell the United States what, if any, responsibilities (beyond, perhaps, factual studies and surveys) we envisage the IJC would retain in the general question of rivers flowing across the boundary; presentationally it might be easier for the United States, if they were able to show that the IJC (ie Governor Jordan) was not being totally divested of all its responsibilities.

7. As I have indicated in my immediately following telegram, the only evidence available to us to gauge the likely reaction of the United States Government to our proposal would seem on balance to indicate that it may not be favourable. It will be important therefore, in making our proposal and in the support which the Prime Minister and yourself might deem appropriate to give to it next month, to muster all the arguments, national and international in scope, — some of which I have outlined in my longer message.

[A.D.P.] HEENEY

270. DEA/12355-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 333 Washington, February 27, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Your letter X-154 of Feb 13/56.†

RIVERS FLOWING ACROSS THE BOUNDARY — PROPOSED NEGOTIATIONS WITH THE UNITED STATES

Mr. Lesage's letter seems to me an important step towards the ultimate solution of the difficult problems that have arisen or will arise between Canada and the United States concerning the use of waters that flow across the international boundary.

2. The letter focusses attention on the two main problems: the question of downstream benefits; and the conflict between the claim of the upstream state to the use of whatever water it may choose to divert in its own territory and the claim of the downstream state to the use of water in its territory that has been "dedicated" by virtue of prior appropriation. The letter also outlines the many other questions that will require careful examination before an eventual solution is reached, such as the absence from the 1909 Treaty of any clear-cut principles that would assist in the solution of these important problems; the value of upstream storage sites; the feasibility of plans for upstream diversions; the relative value of hydroelectric power as compared to electric power generated by thermal or atomic means, or compared to other forms of energy, primarily natural gas and oil; and the important question of the role of the International Joint Commission and the implications for that body of the proposal to initiate diplomatic negotiations.

3. However, I shall in this telegram limit my comments to the following two aspects of the complex of problems facing the Canadian and United States governments:

(a) the question of Canadian-United States relations; and

(b) the possible reaction of the United States Government to a Canadian proposal for diplomatic negotiations.

4. With reference to my first point, it seems to me that it is absolutely essential in any consideration of the problems arising out of the use of these international rivers, to keep in mind that the decisions that are finally taken will be of far-reaching significance politically, as well as economically, for both countries. What is involved essentially is to determine what distribution, if any, is to be made between the two countries of the vast supplies of hydroelectric energy that are potentially available on these international rivers. Since hydroelectric power at present is one of the most important bases for economic development, the decision on distribution and the amount of time spent in arriving at it will determine the speed, and for some years at least, the direction of the development of important and fast-growing regions in both countries.

5. The issues involved, then, are of fundamental importance and the stakes are certainly high enough to create pressures on the two governments to take whatever actions are legally possible under the Boundary Waters Treaty of 1909 to reserve for their own use as large a share as possible of the hydroelectric potential of these rivers. If this were done by

either country serious and permanent harm would certainly be done to the interests of the other, and would undoubtedly open a wide and serious breach in Canadian-United States relations. I assume, however, that the need for some form of negotiation is accepted by both governments.

6. We should, then, consider how relations between Canada and the United States are likely to be affected by the choice of the channel in which to conduct the very hard bargaining that is bound to take place before a mutually satisfactory settlement is arrived at. My point here is not whether a settlement is likely to be reached if the negotiations are conducted within the International Joint Commission, but how to minimize the strain on our relations with the United States while these negotiations are in progress. It may be that in time the IJC could come up with a mutually satisfactory settlement but I should think that, taking into account the public statements that have been made by the chairmen of the two national sections, and assuming that the IJC must conduct its business more or less publicly, Canadian-United States relations would be subjected to very severe and damaging strains. Already, even before the real negotiations have begun, we have seen how public statements can fan the flames of national prejudice and lead to serious misconceptions concerning the policy of both countries. We have seen also how these statements permit what are primarily international issues to be discussed publicly in the context of purely domestic problems so that the essential issues become obscured and are made more difficult of eventual solution. As an example I need refer only to the talk which is heard about abrogation of the 1909 Treaty and a reference to the International Court of Justice.

7. The conclusion that I am inclined to draw at this point is that the IJC although competent, is not the best channel for negotiating these basic issues of principle and policy on which the two governments have not yet agreed. It seems to me, therefore, that in the context of Canadian-United States relations, the balance is all in favour of the direct diplomatic channel. Furthermore if our bargaining position is likely to deteriorate with time, it is in our own interest to chose the faster channel.

8. Turning to my second point, ie, the possible reaction of the United States Government towards a proposal for diplomatic negotiations, the signs are not quite so easy to read. Although this proposal has not, of course, been discussed with United States officials, the possible reaction of their government can be gauged, I think, on the basis of views which American officials have volunteered in the context of Senator Neuberger's suggestion for inter-governmental negotiations. It would appear from these views that the administration would not act on the (Democratic) Senator's suggestion. The Senator's suggestion is, of course, something quite different from a proposal by the Canadian Government.

9. The attitude at the official level in the United States Government seems to be that the negotiations should be left with the IJC until events have shown that a settlement is unlikely to be reached through that channel. They seem to expect that the national sections will fail to agree and will so report separately to their governments. On the question of downstream benefits, United States officials seem to expect no substantive discussions, at least until the results of the Canadian study of the proposed Kootenay-Columbia-Fraser diversions are known. It seems, therefore, that the United States Government is not disposed to speed up the negotiations and it would appear logical to assume from this that they too have realized (if indeed they had not done so before) that time is no longer on Canada's side. Another factor that appears to point to an unfavourable United States reaction is the personal position of Governor Jordan. As you know, he is as close to being the administration's co-ordinator and spokesman on water power policies as any person can be under the United States form of government: he is reported to be very close to the White House where his views carry considerable weight. Unless our proposal for diplomatic

negotiations appeared to the United States to offer substantial advantages, it would seem unlikely, therefore, that they would do anything that would be interpreted as lack of confidence in Governor Jordan and an appeasement of his critics. Nor, of course, would the administration wish to give the appearance of going along with Senator Neuberger.

10. There are other points as well which I think ought to be mentioned, even though they are at the moment difficult to assess. It seems likely that if the United States Administration were faced with a proposal for diplomatic negotiations, they would wish to take into account the possible reactions of Congress towards the implementation of the results of these negotiations through an executive agreement. Such an agreement might be construed by the supporters of Senator Bricker as an infringement of either the rights of Congress (which passed the 1909 Treaty) or the rights of United States citizens. In the negotiations on the Gut Dam and the discussions on Lake Ontario water levels, neither of which involved issues as significant as those now under consideration, we have had some indication of the importance that the Administration attaches to the reaction of Congress and the rights of United States citizens.

11. I do not rule out the possibility that the Administration might accept our proposal. It can be assumed that the objective of the United States Government is an amicable settlement of these questions with Canada, and that the position of Governor Jordan and the role of the IJC might well take a secondary place. This would be especially true, I think, if in making our proposal we were to indicate that we were not optimistic about the chances of the IJC reaching a settlement. It is possible, too, I think, that the coming election campaign might create a situation which would favour acceptance of our proposal by the Administration. It seems fairly certain already that the development of water power resources will be an important issue in this campaign, particularly in the Pacific Northwest States. Senator Neuberger has criticized the Administration's conduct of the negotiations with Canada on the Columbia River and it is possible, I think, that the United States Government may find itself at some stage of the campaign under attack for what will be alleged to be its failure to make progress on these important international issues. If that situation were to develop, it is conceivable that the Administration might welcome our approach as an opportunity to show that they are in fact moving towards a settlement of these questions.

12. It is possible, too, that the United States Government might welcome our proposal for an entirely different reason, namely as an opportunity to discuss parts of the Boundary Waters Treaty of 1909, particularly Article II of the treaty and to clarify those parts of the treaty that deal with the right of downstream interests to claim compensation for damages. There might be some inclination also on their part to clarify whether or not the contracting parties to the treaties are bound to the same legal redress as that which is open to citizens or inhabitants of either country.

271. DEA/12355-40

Extrait d'une note du président de la Section canadienne de la Commission mixte internationale

Excerpt from Memorandum by Chairman, Canadian Section, International Joint Commission

CONFIDENTIAL [Ottawa], March 6, 1956

WATERS FLOWING ACROSS THE BOUNDARY

EXCERPTS FROM MEMORANDUM OF GENERAL MCNAUGHTON COMMENTING ON DRAFT MEMORANDUM TO CABINET OF MARCH 2, 1956†

Note: The following excerpts contain the principal points made by General McNaughton concerning the proposed discussions with the United States.

"I do not believe that it is a safe position for Canada to open negotiation or even discussions on this matter of vital import to the future of our country until at the least:

We are satisfied that we know the real meaning of Article II of the Treaty of 1909 and that this real meaning differs in some substantial manner from the studies and appreciations furnished to the Government and Parliament of Canada by the Canadian Section IJC.

Why should we risk throwing away the immense benefits which the Treaty has been found to confer on Canada, now that it is a fact that, in the matter of rivers flowing across the boundary, Canada is the upstream state in all watersheds of first importance along the boundary?

. . .

Article II is in fact a most explicit definition of principles in regard to jurisdiction over waters which rise in one country and cross the boundary to the other. It provides that the law of the upstream state shall prevail, and that if its application should be felt by interests in the downstream state to result in injury to them, then their claims can be taken into the courts of the upstream state for whatever remedy may be available under the law prevailing in that upstream state.

Article II represents a compromise between the position that the U.S. asserted in 1909 — complete sovereignty by the upstream state over waters within its territory — and the position asserted for Canada — that such jurisdiction could not be exercised without regard to the effects on interests downstream in the other country.

The argument was long and determined, but finally two agreed principles were incorporated in Article II of the Treaty. The first gave exclusive jurisdiction to the upstream state and the second opened the courts of that state to downstream claimants, on full equality with the citizens of the upstream state.

Thus the Treaty does in fact establish the *principle* on which jurisdiction in waters crossing the boundary is established.

In accord with this principle, matters in dispute are to be settled by the courts of the upstream state and an opportunity is thus provided for the development both of law and of practice. Thus as particular problems become definite and are presented a mechanism is available for their solution.

As matters stand, it is Canadian law which the treaty establishes in the most important regions along the boundary, and it is most important that we should not casually open the way for proposals for "clarification" which may in fact be destructive of the advantageous position in which we now are.

Downstream benefits is a case in point. The application of Article II enables us to refrain from developments in our own country until we are satisfied that a fair recompense for Canadian resources used to the benefit of the U.S. has been offered.

The matter is one of bargain, based on the specific circumstances of each particular case; and as I have reported to the External Affairs Committee of the House, a fair bargain is one in which both sides benefit.

In the light of the decision reported that conversations on rivers flowing across the boundary is in fact desirable, it seems that this matter could be opened with less danger to Canada in the White Sulphur Springs conversations than otherwise.

The Prime Minister might mention the fact that the questions of the diversion of rivers flowing across the boundary and the division of benefits downstream have now become matters of public concern in both countries, and he might inquire whether the President has any views as to how discussions might best be organized with a view to reaching an equitable solution, in accord with the rights of the respective countries established by Article II of the Treaty of 1909.

By such an approach the way would be opened for the President to make any suggestion which he may have on his mind, and it would not be necessary for Canada to indicate any dissatisfaction with the Treaty as it is. Any suggestion that Canada does not consider that Article II has established the requisite "principles" would certainly be interpreted in the United States as dissatisfaction with the present Treaty.

If the President should allege "deficiencies" and "gaps", this approach would leave it open to Canada to defend the position if the suggestions should indicate an approach by the United States to the detriment of the rights and interests of Canada.

Whatever the President may put forward in reply will need the most careful study and evaluation before the matter is allowed to progress into the form of diplomatic or other organized discussion. Most certainly we should on no account admit any "deficiency or gap" in the principle established by Article II of the Treaty. The Prime Minister might, however, very appropriately express a willingness to apply this principle in the evolution of a "fair bargain" in specific cases such as the Columbia.

. . .

If the procedure indicated has been decided upon, it is suggested that the phrase in subparagraph 7)a), describing the subject for discussion, should read, "reach agreement on the application of the principles established in Article II and other clauses of the Treaty of 1909 to cases now requiring decision along the boundary."

. . .

A.G.L. McNaughton

272. **PCO**

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 60-56 Ottawa, March 6, 1956

CONFIDENTIAL

WATERS FLOWING ACROSS THE BOUNDARY: DISCUSSIONS WITH THE UNITED STATES

On February 23, the Cabinet approved the recommendations of the Minister of Northern Affairs and National Resources that it be decided in principle that discussions should be initiated with the United States on a government-to-government basis for the purpose of working out principles to be applied to downstream benefits, diversions of water and other water power problems arising in the case of rivers crossing the international boundary. In accordance with the further decision of the Cabinet the Advisory Committee on Water Use Policy has started its study on the basis for opening discussions and the course that should be followed in carrying them out. The recommendations of this memorandum take into account the preliminary discussion in the Advisory Committee.

2. It is considered desirable that these discussions be started fairly soon, and that the decision to start them should be made public. The pending election in the United States is another factor, and it is desirable that discussions should be at least initiated before the election campaign is in full swing.

3. There is strong support in the United States, particularly in the North West Pacific states, for projects for the greater utilization of the power potential of the Columbia River Basin. Hence we may presume that the United States Government would in general be favourable to a proposal for the type of discussions envisaged. It is possible, however, that the United States Government, while agreeing that discussions on these principles would be necessary sooner or later, may take the view that they should not start now. Senator Neuberger (Democrat) has proposed in recent weeks that the United States should seek to reach a speedy agreement with Canada on the problems of the Columbia River, by intergovernmental negotiations. He coupled this proposal with a vigorous attack on Mr. Jordan, the United States Chairman of the International Joint Commission. He declared that Mr. Jordan, by reason of his attitude on water questions generally, was not suited to represent the United States in negotiations on the Columbia. Mr. Jordan is a Republican appointee who apparently has considerable status in the Administration and, in his approach to water questions, reflects the Administration's attitude, whereas Senator Neuberger is a strong opponent of the Administration. The Administration may be unwilling to agree to the initiation of discussions so soon after Senator Neuberger's remarks, as this could be interpreted as showing lack of confidence in Mr. Jordan.

4. In the light of these considerations and in view of the invitation of President Eisenhower to the Prime Minister to visit him at White Sulphur Springs on March 26, it seems advisable that our proposal for the initiation of discussions should be put to the State Department in the next few days. In this initial approach, the subject should be described in very general terms. Attached is a draft memorandum, which it is recommended should be handed to the State Department.

5. In issuing his invitation to White Sulphur Springs to the Prime Minister, President Eisenhower has emphasized his desire to talk over questions of common interest with neighbouring countries. Our proposal to start discussions on rivers flowing across the border would, accordingly, be an appropriate question to mention at White Sulphur Springs. Although Mexican representatives will be present, it is hoped that there will be an opportunity to talk about questions like this in bilateral conversations. Accordingly, if the Prime Minister could refer to this proposal in his conversations with the President, this might help to overcome reluctance by the Administration to taking a step which could be interpreted as showing lack of confidence in Mr. Jordan.

6. When negotiations have been undertaken with the United States on questions like this in the past, it has been the practice to consult the provincial governments concerned. This procedure has been followed on the negotiations on the St. Lawrence Seaway and Power Projects. The governments of the provinces concerned in the problem of waters flowing across the international boundary (British Columbia, Alberta, Saskatchewan, Manitoba, Quebec and New Brunswick) might be informed of the proposal by the Minister of Northern Affairs and National Resources. The provincial governments could be informed either when the first approach is made to the State Department, or when the United States agrees to hold discussions, whichever the Cabinet deems appropriate.

7. I therefore recommend, with the concurrence of the Minister of Northern Affairs and National Resources, that:

(1) The United States Government should be asked to agree to hold inter-governmental discussions on questions concerning waters which flow across the international boundary, with a view that the governments may reach agreement on these questions; and that this be done by the delivery of a memorandum along the lines of the attached one to the State Department within the next few days;

(2) The Embassy in Washington should inform the State Department that the Prime Minister would like to refer to this question in the conversations at White Sulphur Springs;

(3) The governments of the provinces concerned with problems of waters flowing across the international boundary should be informed at an appropriate time of the Canadian approach to the United States Government.[185]

L.B. PEARSON

[PIÈCE JOINTE/ENCLOSURE]

Annexe

Annex

CONFIDENTIAL

WATERS FLOWING ACROSS THE BOUNDARY

DRAFT OF MEMORANDUM FOR HANDING TO THE STATE DEPARTMENT

In recent months there have been discussions in the International Joint Commission concerning waters which flow across the boundary between Canada and the United States. Whereas the Boundary Waters Treaty of 1909 sets forth the principles governing the use of boundary waters, it has been evident, in the course of these discussions, that the treaty does not provide comprehensive principles for the use by Canada and the United States of waters which flow across the boundary. Article II of the treaty establishes that each country has exclusive jurisdiction and control over the use and diversion of these waters. On the other hand, the treaty contains no principles to govern the sharing of benefits derived from developments on a river which crosses the boundary.

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[185] Approuvé par le Cabinet, le 8 mars 1956./Approved by Cabinet on March 8, 1956.

It seems desirable, therefore, that the two governments should attempt to work out more comprehensive principles for the use of waters flowing across the boundary. As the working out of these principles would be a long and complicated task, it is the view of the Canadian Government that discussions between the two governments should start in the near future with a view that the governments may reach agreement on these questions.

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273. DEA/12355-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], March 7, 1956

WATERS FLOWING ACROSS THE BOUNDARY: DISCUSSIONS WITH THE UNITED STATES (CABINET, MARCH 8).

You have already approved the memorandum to Cabinet on this subject, and the attached draft memorandum for handing to the State Department, and have seen the summary of the views of General McNaughton on an earlier draft. You might, however, care to have a memorandum outlining the interdepartmental discussions in the last few days.

2. At its meeting on February 23, the Cabinet decided to initiate discussions with the United States on this subject and instructed the Advisory Committee on Water Use Policy to study the basis for opening discussions. At the meeting of the Advisory Committee it was decided to recommend that this question should be raised with President Eisenhower at the meeting at White Sulphur Springs. One advantage of this proposal would be to present the subject to President Eisenhower in the most suitable way, on the supposition that he might well have to deal with it in any event, because of the possible opposition of Mr. Jordan, the United States Chairman of the International Joint Commission. Moreover, raising the question with President Eisenhower would make more likely an early decision by the United States on our proposal.

3. The feeling of the Advisory Committee was that the President might be asked to approve the initiation of discussions during the Prime Minister's visit, with the idea that this decision might be announced in a communiqué at the end of the Prime Minister's visit. If this procedure were followed, it would make clear to Canadian public opinion that the government was taking action on this question and, a decision by the President and the Prime Minister to start the discussions might help to conceal that it was Canada that sought them.

4. In accordance with your instructions, the memoranda have now been altered, and they provide that the proposal to start the discussions be put to the State Department in the usual way within the next few days, and that the Prime Minister should refer to the question in the conversations at White Sulphur Springs. Under this revised draft, it is presumed that the Prime Minister would *not* ask the President to take a decision on the matter at White Sulphur Springs, although we would welcome a Presidential decision and also an

announcement if the President were disposed to take this step. This altered procedure has the advantage that we do not run the risk of being told by the State Department that the President would not be ready to take a decision, or of the Prime Minister being told by the President that he was not in a position to take a decision. This procedure would overcome any possibility of awkwardness in announcing a Canadian-United States decision following upon tripartite talks. Moreover — and this is of particular interest to this Department — the revised approach would not risk giving the false impression that Canada is anxious to press on with serious and detailed discussions immediately. In fact, as you know, we are not prepared, either in terms of clearly thought-out ideas or in terms of people, to send a team to Washington this spring to start detailed and prolonged negotiations.

5. You will notice that the proposed subject for discussions is defined as "questions concerning waters which flow across the international boundary, with a view that the Governments may reach agreement on these questions". This definition of the subject is considerably broader than that in the recommendation to Cabinet of the Minister of Northern Affairs and National Resources, which read as follows: "for the purpose of working out principles to be applied to downstream benefits, diversions of waters and other water power problems arising in the case of rivers crossing the international boundary". The more general definition, without the reference to "water power problems", is more in accordance with the text of the Boundary Waters Treaty. Perhaps this should be pointed out to Cabinet.

6. The texts of the draft memorandum to Cabinet and the draft memorandum to be handed to the State Department were sent to General McNaughton for his comments. He gave his comments in a memorandum of March 5, which expressed quite strong criticisms of various points of the memorandum to Cabinet. General McNaughton's memorandum was considered at a meeting on March 6 of representatives of the Department of Northern Affairs, Privy Council and this Department. Some of his criticisms were embodied in revisions in the drafts. It was felt, however, that other points which he made should not be incorporated in the drafts. Accordingly, you have been given excerpts from General McNaughton's memorandum which cover the principal points made which, in the view of the representatives of the three Departments, should not be incorporated in the drafts.

J. L[ÉGER]

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274. DEA/12355-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM X-462 Ottawa, March 12, 1956

CONFIDENTIAL. IMPORTANT.

WATERS FLOWING ACROSS THE BOUNDARY: DISCUSSIONS WITH THE UNITED STATES

You have been sent by bag a copy of the memorandum to Cabinet of March 6 on this subject. In accordance with the decision of the Cabinet on March 8, I should be obliged if you would hand to the State Department a copy of the memorandum annexed to the memorandum to Cabinet. In my view you might best make this approach on March 14, as this will provide sufficient time for the State Department to inform the President of the Prime Minister's intention to raise this question at White Sulphur Springs. Alternatively Thursday would do.

2. From the memorandum to Cabinet and from previous papers which have been sent you, you will understand why the government is taking this step. The following are the principal points which you might bring out when handing the memorandum to the State Department.

3. One of the chief reasons for this initiative is the government's desire to do what is feasible to remove obstacles to the full development of the water resources of the Columbia and Yukon and other rivers. Principles should be agreed upon for the sharing between upstream and downstream interests of the benefits derived from the development of these rivers, and these principles will have to be applied to the particular projects on each river. The working out of these principles involves important questions of government policy, and it is a task which should be undertaken confidentially. For these reasons we propose diplomatic discussions.

4. In making this proposal, it is not our intention to minimize in any way the important role which the International Joint Commission has performed in the past and will perform in the future, in dealing with waters crossing the boundary, as with boundary waters.

5. The subject proposed for discussion in the memorandum is very broad, namely, the working out of more comprehensive principles for the use of waters flowing across the boundary. The memorandum refers particularly to the principles to govern the sharing of benefits derived from developments on a river which crosses the boundary, i.e., the problem of downstream benefits. As is indicated above, it is in order to resolve this and other problems that the government is proposing discussions. It is recognized, however, that other questions, such as diversions, are linked up with downstream benefits, and accordingly the subject for discussion is defined in broad terms. As you have indicated in your telegram 382 of March 3,† the discussions would not be confined to the water power aspects.

6. The memorandum suggests that the working out of principles for the use of waters flowing across the boundary would be a long and complicated task. We envisage that the discussions will last well past the end of this year, and that probably the United States representatives would be unwilling to reach a decision on questions of substance before the elections. We would like the discussions to start at a slow pace, and we are not prepared, for example, to send a team to Washington in several weeks to embark on detailed discussions. We are anxious, however, that the decision to start the discussions should be made fairly soon and that it be made public in order that it be clear what procedure is to be used in dealing with this subject.

7. In handing over the memorandum, you should say that the Prime Minister would like to refer to this proposal in discussions with the President at White Sulphur Springs, if a private discussion between the Prime Minister and the President is arranged. If the President is prepared to agree at White Sulphur Springs to the starting of the discussions we should, of course, be very glad. We are not, however, asking that the President should be prepared to take such a decision, but simply giving notice that this is one of the questions which the Prime Minister would like to raise with him.

8. We have considered whether the hearings of the Senate Committee on Interior and Insular Affairs, which are to start on March 22, should cause us to defer making this approach to the State Department. The announcement of these hearings is somewhat embarrassing for us, because the State Department would receive our memorandum before

the hearings start, and will be able to decide whether or not to accept our proposal in the light of the hearings. However, if we were to refrain from making the approach until after the end of the hearings, this would involve a delay of several weeks, and it would be difficult for the Prime Minister to raise the question with the President at White Sulphur Springs. For these reasons we have decided to proceed with this initiative despite the forthcoming hearing. You might make clear to the State Department that the decision to make our proposal was taken some weeks before the announcement of the hearings by the Senate Committee.[186]

[L.B.] PEARSON

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275. DEA/12355-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 782 Washington, April 26, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Our Tel 765 Apr 24.†

WATERS FLOWING ACROSS THE INTERNATIONAL BOUNDARY

My immediately following telegram contains the text of a memorandum handed to us late yesterday afternoon by Outerbridge Horsey, who is still performing some of the functions of Director of the Office of British Commonwealth and Northern European Affairs. Horsey was accompanied by Marselis C. Parsons, who will probably replace him as Director of BNA and by George Vest, Canadian Desk Officer.

2. During Horsey's oral comments he said that the State Department memorandum was not "fully responsive" to the memorandum which we delivered to Livingston Merchant on March 15. He pointed out specifically that in the State Department's memorandum they had "backed away" from the last few words in the final paragraph of our memorandum concerning agreement between the governments. This had been done quite deliberately, Horsey said, but he emphasized that their purpose was not, repeat not, to exclude the possibility of intergovernmental agreement. They did wish, however, particularly at this early stage when there was no firm US view on many points that would arise during the discussions, to avoid the use of any language that might be interpreted as a commitment on the question of whether or not a new intergovernmental agreement would be required, or on the form that any agreement might take. At some later stage, Horsey thought, the representatives of the two governments would have to consult on these two points and to reach some decision, but until that time, it seemed wise to avoid any premature commitments.

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[186] Le mémoire canadien a été transmis au Département d'État le 15 mars 1956. Pour connaître le compte rendu des discussions qui ont eu lieu ultérieurement sur cette question à White Sulphur Springs, voir le document 5.
The Canadian memorandum was delivered to the Department of State on March 15, 1956. For a report on the subsequent discussion of this question at White Sulphur Springs, see Document 5.

3. Concerning the reference in the State Department's memorandum to "necessary studies", Horsey confirmed that this meant national studies conducted separately.

4. With respect to the timing of the proposed discussions, Horsey said that he could not see how the US could be ready for an initial session before two or three months had gone by. He envisaged that after the necessary preparations had been made, there might be an initial session, lasting perhaps two days, the objective of which, on the US side at least, would be to obtain a better understanding of the problems or subjects that the Canadian Government wished to discuss. After the initial session, there probably would be an interval during which the governments would consider their own positions in the light of the information that had been exchanged. Vest suggested that there probably would be some preliminary exchanges of information through the diplomatic channel before the initial session was arranged and we did not disagree with him. There were some inconclusive comments about what the discussions might achieve, but the only point of any significance was that Horsey made particular reference to the possibility of clarifying what he called the legal remedies aspects of Article 2 of the 1909 treaty.

5. On the question of publicity, Horsey, referring to a comment we made when we delivered our memorandum, said that the US Government was agreeable to a public announcement of the decision to initiate diplomatic discussions and that they would probably wish to make one themselves. They would need a little time, however, since they would wish to consider carefully the language to be used in any US announcement. He said that the terms of the announcement would have to be cleared with each of the different US agencies concerned with this question. In reply to our question Horsey said that they had not yet given any thought to whether the governments might issue joint or separate announcements. His own opinion, he said, was that it might be simpler if the two governments were to issue separate press releases. If there were separate announcements it would be desirable to coordinate the timing of the release.

6. There was some discussion on whether or not it would be desirable in drafting the announcements, to try to anticipate questions which are almost certain to be asked in both countries. Horsey said that the US, for instance, would probably wish to spell out quite clearly the relationship between, on the one hand, the proposed discussions, and on the other, the Columbia River reference and the work of the International Joint Commission generally. We ventured the personal opinion that Canada might wish to do the same. Vest asked if we knew whether or not the Canadian announcement would include any reference to the committee that might be used to advise the Canadian Government during the course of the proposed discussions. We said that although we did not really know, it seemed unlikely that our announcement would include anything like that. However, we said that we would raise this point with you and let the State Department know your comments.

7. What we have said so far covers the more or less formal conversations that we had with Horsey when he delivered the memorandum. Afterwards, when we spoke to Vest, he gave us informally the following additional information. With respect to the words "the use of waters from rivers crossing the international boundary", Vest told us that this choice of words was quite deliberate and that it indicated the wish of the US Government to have the discussions cover as broad an area as possible. He said that there appeared to be some feeling in the US Government that a discussion aimed at the definition of "principles" might be a little more restrictive than they might desire, and there was some feeling also that a direct reference to principles might create in the minds of the US public a preconceived idea of the kind of result that the discussions between the two governments were meant to achieve. In the US Government's view, Vest said it is not yet clear just what

result the discussions might have, since they will, in part at least, be an exploration of what is at the moment virgin territory.

8. Vest told us also that our proposal for discussions had been discussed recently at a meeting in the White House at which there had been recommended the establishment of a committee to be known as the Advisory Committee on Canadian Boundary Waters Problems which would be responsible for advising the US Government during the course of the discussions with Canada. Apparently this suggestion has yet to be considered by Mr. Sherman Adams, but the State Department are quite hopeful that he will give his approval. If it is approved, the Committee will consist of representatives at the Deputy Assistant Secretary level from the following US agencies: Department of the Army, Department of the Interior, Department of Justice, Federal Power Commission, and the Department of State. In addition, the Committee will probably include Governor Jordan, who is quite likely to act as Chairman, and Major General John S. Bragdon, who is an adviser in the White House on water resources. Vest was not familiar with Bragdon's work, but he thought that Bragdon had helped to write the recent report of the Presidential Advisory Committee on Water Resources Policy (PACWRAP).

9. Vest said that the proposed new committee would, in fact, act as a subcommittee of the existing Interdepartmental Committee on Water Resources (ICWATR). Governor Jordan apparently acts in an advisory capacity to both PACWRAP and ICWATR, and for this reason, in the interests of coordination, it seemed likely that he would be named chairman of the new committee. It is considered that the new committee will be capable of handling all of the legal or technical questions which will come up during the discussions with Canada, but policy considerations will probably be referred to PACWRAP.

10. Vest asked that this information be confined to official government circles in Ottawa, and we naturally undertook to observe his request.

[A.D.P.] HEENEY

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276. DEA/12355-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 783 Washington, April 26, 1956

CONFIDENTIAL. IMPORTANT.
Reference: My immediately preceding Tel 782 Apr 26.

WATERS FLOWING ACROSS THE INTERNATIONAL BOUNDARY

Following is the text of the memorandum handed to us late yesterday afternoon by Outerbridge Horsey. Text begins:

In response to the Canadian Embassy's memorandum of March 15/56, the Government of the United States has given careful consideration to the proposal of the Canadian Government that there be discussions between the two governments concerning the use of waters from rivers crossing the international boundary and would welcome such discussions, in the confidence that they will contribute to the development of these important resources in a spirit of friendly cooperation. It is suggested that after the necessary studies have been completed, arrangements be made for a meeting of representatives of the two governments in either Ottawa or Washington. Ends.

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277. DEA/12355-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], July 16, 1956

MEETING OF MR. JEAN LESAGE AND PREMIER BENNETT, JULY 4, 1956

As you know, Mr. Lesage met Premier Bennett of British Columbia at Victoria on July 4 for the purpose in part of discussing the matter of the prospective talks with the United States Government regarding waters which cross the International Boundary.

2. The attached report of the conversations between Mr. Lesage and Mr. Bennett was prepared by Mr. E.A. Côté of the Department of Northern Affairs and National Resources. This report, which was submitted to the Advisory Committee on Water Use Policy on Friday, July 13, is forwarded to you for information. While it was not thought necessary to summarize this report, I should like to draw your attention specifically to the paragraph at the bottom of page 2, headed "Inclusion of British Columbia representative in team 'negotiations' with United States".[187]

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Extrait d'une note du sous-ministre adjoint
du ministère des Affaires du Nord et des Ressources nationales
pour le Comité consultatif sur la politique relative
à l'utilisation de l'eau

Extract from Memorandum from Assistant Deputy Minister,
Department of Northern Affairs and National Resources,
to Advisory Committee on Water Use Policy

CONFIDENTIAL [Ottawa], July 11, 1956

MEETING OF MR. JEAN LESAGE AND PREMIER BENNETT — 2.30 P.M. ON JULY 4, 1956 AT VICTORIA

In addition to Mr. Lesage and Premier Bennett, the meeting was attended by Mr. R.W. Bonner, Attorney General, and Mr. Ray Williston, Minister of Lands & Forests. Officials present were Messrs. E. Bassett, B.C. Deputy Minister of Lands & Forests, A.F. Paget, Comptroller of Water Rights for B.C., George Kidd, B.C., Lands & Forests Department, R.G. Robertson and E.A. Côté of the federal department of Northern Affairs and National Resources.

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[187] Note marginale :/Marginal Note:
We shall have to watch this L.B. P[earson]

Purpose of Talks with Premier Bennett

The meeting opened in a very cordial manner and two items of unrelated business were settled in a satisfactory manner. *Mr. Lesage* introduced the third item, namely the prospective talks with the United States Government regarding waters which cross the international boundary. He explained briefly that while six other provinces and the Yukon Territory have a direct interest in these matters, British Columbia had by far the greatest hydro-electric potential from rivers which cross the boundary. Mr. Lesage said that the talks with the United States early this autumn would be most preliminary ones. It was a matter for each country to start "feeling out" the other. Mr. Lesage indicated that his purpose in coming to Victoria was to ascertain the viewpoint of the British Columbia Government. "After all", said Mr. Lesage, "indeed before all, this is a question of developing the resources of British Columbia and the initiative in this rests with the government of British Columbia."

Request to Stop Power Exports from B.C.

Premier Bennett opened his comments by saying that he "formally asked the National Government to prevent the permanent or temporary export of power developed in British Columbia to the United States." When questioned, the Premier said he had in mind, among other things, the export of power from Waneta. Mr. Bennett said that there was a great demand for power in the Vancouver area which could use the Waneta power. He again repeated that no hydroelectric power produced in B.C. should be exported to the United States.

British Columbia's Ideas on Export of Water

So much for hydroelectric power. When it came to water, *Mr. Bennett* said that Columbia River water flowed to the United States anyway. He wanted for B.C. the utmost downstream benefits in the form of power. Mr. Bennett also wanted power in the Kootenays at the lowest possible cost. He admitted that he wanted to attract industry to the Kootenay area by low power costs; to do this, he was prepared to subsidize industry in the Kootenays from downstream benefits. Mr. Bennett's thesis was that Columbia waters belonged to the area which should first benefit from these waters. He said that he could get the "dams" built at no cost to British Columbia by Canadian companies which would give in addition a percentage of downstreams benefits. Mr. Bennett indicated that the cost of building all the dams could be paid out of downstream benefits and he enquired jokingly whether the federal government would not "build them for the downstream benefits". At all events, Mr. Bennett stipulated that he did "not want the federal government to negotiate on downstream benefits for less than the value of the dams plus 20%". He indicated that no commitments or water rights had, as yet, been given to any company. *Mr. Paget* replied to a question by Mr. Lesage that he was convinced that 40% of the downstream would finance the Mica Dam. *Mr. Bennett* continued by saying that B.C. will want the balance of downstream benefits to pay for the dam and later "to come back if possible". He added that "we will need all the remaining 40% in 1970-1975". *Mr. Bonner*, however, was skeptical about the political possibility of putting into effect a recapture clause.

Downstream Benefits Versus at-site Power

Mr. Lesage, seeking further information, indicated that under the Premier's scheme, the projected industries in the Kootenays will require firm power from Mica Creek. How then can one reconcile regulation for downstream purposes with maximum at-site power production? *Mr. Bassett* replied that this could be achieved by physical and electrical interconnection. By system regulation, one could obtain the "optimum downstream use" and the "optimum at-site power". *Mr. Paget* added that, for example, it might be that for four months Mica could produce no firm power while it was being filled; during this period, firm power would have to come from elsewhere. During the remaining eight months, the optimum at-site power consonant with downstream regulation would be obtained from Mica. *Mr. Bennett* underlined that the utmost care would have to be exercised when writing this part of an agreement with the United States. *Mr. Robertson* wondered how one organized and achieved day to day control internationally. *Mr. Paget* replied that once one joins a given "pool" the matter is regulated under certain principles by a despatcher. *Mr. Bennett* made the point, however, that B.C. would want to keep control over the water and he would not wish to see this control leave the province. In this he was reinforced by *Mr. Williston* who interjected that under any international agreement, the B.C. government "will want to have a provincial body (such as a Commission or the Water Rights Branch) to enter into the necessary new agreements" when dams or new works are built along the system.

. . .

Inclusion of B.C. Representative in Team "Negotiations" with U.S.

Mr. Bennett broached the subject by saying that the province did NOT want to be on the "negotiating" team. He later said he wanted a representative available at the place of discussions for close consultation; such a representative, the Premier then said, might be included in the delegation. The Premier wanted to build co-operation and confidence between the provincial and federal authorities. *Mr. Lesage* said that he favoured the closest cooperation and consultation. The Department's Vancouver Office might be the main channel of consultation between officials supplemented by direct exchanges of views and visits between officials. Later, as required, there would be consultations on the ministerial level. But because he might be faced with similar demands from other provinces, Mr. Lesage did not want to commit himself on the constitution of any team which might discuss matters with the United States authorities. Mr. Lesage asked that the matter be allowed to develop and he said that he would like to discuss the matter with Mr. L.B. Pearson upon whom largely depends the constitution of international delegations.

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Discussion with Officials

As agreed between Premier Bennett and Mr. Lesage, the officials mentioned above met in Mr. Bassett's office at 9.30 a.m. on July 5. *Mr. Bassett* informed the federal officials that on or about June 28, 1956, the Hon. Mr. Williston directed the Comptroller of Water Rights (Mr. A.F. Paget) to undertake a detailed study of the possibilities of integrating all of the Upper Columbia in B.C. and possible courses of integration or other uses with the U.S. The federal officials were informed confidentially that a firm of consultants would be retained immediately to undertake the survey, the terms of which were couched in very broad terms. *Messrs. Robertson* and *Côté* viewed this as a forward looking and sound development. The discussion then ranged over other aspects of the previous day's discussion. The viewpoints mentioned above were confirmed and all present thought that the previous day's discussions had been extremely useful.

E.A. C[ÔTÉ]

278. PCO/W-10-9

Le ministre des Affaires du Nord et des Ressources nationales au premier ministre

Minister of Northern Affairs and National Resources to Prime Minister

CONFIDENTIAL Ottawa, November 21, 1956

My dear Prime Minister,

I had a visit yesterday afternoon from Premier Bennett of British Columbia to discuss a number of matters of concern to British Columbia which come within the purview of this department. The most important item that was discussed was the position to be taken with regard to the Columbia River in the impending discussions with the United States.

I told Mr. Bennett that it was most important for our government to know, on a completely confidential basis, the view that his government took as to the kind of solution that would be appropriate on the Columbia. Particularly, I said, it was essential that we should know whether the provincial government, as the owner of the water resource, considered that a diversion to the Fraser River was a possible line of development. I emphasized that I would treat his views as entirely confidential and, on that basis, I had quite a useful discussion. I am enclosing herewith a note concerning it.

In view of my undertaking that this matter would be treated in the strictest confidence, I am sending copies of the enclosed note only to yourself and Mr. Pearson as the ones most immediately concerned.

Yours sincerely,

JEAN LESAGE

P.S. On reflection, I think I should also send a copy to Mr. Howe, and I am doing so.

JEAN L[ESAGE]

[PIÈCE JOINTE/ENCLOSURE]

Note du sous-ministre adjoint du ministère des Affaires du Nord et des Ressources nationales

Memorandum by Assistant Deputy Minister, Department of Northern Affairs and National Resources

CONFIDENTIAL Ottawa, November 21, 1956

VISIT OF PREMIER W.A.C. BENNETT TO MR. LESAGE
RE COLUMBIA RIVER — NOV. 20, 1956

Premier W.A.C. Bennett of British Columbia, accompanied by Attorney General Mr. R.W. Bonner, his Deputy Minister of Finance Fisher and his Executive Assistant, Mr. Worley, saw Mr. Lesage at 3 p.m. on November 20, 1956. Also present were Messrs. R.G. Robertson and E.A. Côté.

Premier Bennett said he was anxious that the talks between Canada and the United States should get under way soon. According to *Mr. Lesage*, it appeared that the United States were not ready to talk yet. Later on, when pressed to say when the United States might be ready, Mr. Lesage indicated that it would be early in the new year and certainly (as Premier Bennett had hoped) the meetings would not be deferred because of federal elections. *Mr. Lesage* outlined to Premier Bennett, on a confidential basis, that the federal government had hired Montreal Engineering to assess the advantages and disadvantages of physical and electrical interconnections of the whole Columbia River Basin. He hoped a fairly general preliminary report would be available by January 15, 1957. *Premier Bennett* expressed surprise and satisfaction; he said that the studies undertaken by British Columbia consultants (Crippen & Wright) were on a quite different basis; no full report would be available for a year or two.

Mr. Lesage wondered whether Premier Bennett was opposed to a diversion (to the Fraser) "at any time". The *Premier* replied that he "was opposed" to a diversion. *Mr. Lesage* reiterated what he had told the Premier in July, namely, that nobody but the British Columbia Government could authorize such a diversion. We could not, of course, tell the Americans that the Premier was opposed to a diversion but he wanted to know the B.C. position. *Premier Bennett* agreed. *Mr. Lesage* said it would be important, even if B.C. was opposed to it as a policy, to have the diversion as "a lever" in the bargaining. For example, if Mica Creek were to be developed, B.C. might wish to receive cash on "downstream benefits" for a temporary period and then recapture the water for diversion purposes. *Premier Bennett* suggested that what was wanted was a combination of things: B.C. would need some power now and could take, for a time, cash in lieu of power. Later on, B.C. would want all the power. But the Premier thought that to start talking on the basis that a diversion was definitely planned to the Fraser at a later date would effectively destroy Canada's bargaining position on downstream benefits.

In answer to a question about exports of electricity, *Premier Bennett* said he was opposed to any export of electricity but that this did not cover *exchanges* of electricity via basin interconnections. In his view there must be seasonal exchanges and then downstream benefits "which were different"! Whatever the benefits, British Columbia wants them in power in the long term and it wants all at-site power retained in Canada.

Mr. Lesage thought that the Premier and he saw eye to eye on the general question when it was agreed that downstream benefits and seasonal exchanges were not the same thing but part of one transaction; what was important, as *Mr. Robertson* noted, was to determine the share of power attributable to Canada and its return to Canada at appropriate times in the form of power. If the respective shares could be established satisfactorily, the problem of interconnections and exchanges to achieve the maximum total power output available for sharing could be worked out as if the boundary did not exist. To this, *Premier Bennett* agreed. *Mr. Lesage* asked that the Canadian negotiators be allowed to have in hand the power to use, at an appropriate time, the possibility of the Fraser Diversion. *Premier Bennett* did not want this card used at the beginning: this would only make for delays and no arrangement between the countries. *Mr. Robertson* explained that even if one assumed, as the Premier did, that the Fraser Diversion would *never* be done, should the talks reveal that the United States was utterly unreasonable as to the proper return to Canada for downstream benefits, then the possibility should be open to say that the diversion would be proceeded with. *Premier Bennett* thought that from the very outset we should assume an attitude of cooperation and goodwill on both sides for an intelligent development of the Columbia Basin and we must seek to bring about such a development. If, however, we fail to agree with the United States, then we must look at a diversion. The Premier thought that some people had a "bug" about the diversion to the Fraser and wanted to promote the diversion. *Mr. Bonner* stated that to talk Fraser diversion raised the hackles of people in the Pacific Northwest; this attitude could be reflected in the U.S. negotiators if Canadians continually raise this prospect before embarking on the talks. *Mr. Lesage* said that the federal government was far from wedded to a diversion to the Fraser Basin; studies had not been completed to assess the respective solutions fully. In any case, whatever the federal government might conclude, a decision to divert was one for the province. However, the Canadian negotiators should have this argument in the background in case a satisfactory solution is not forthcoming. *Premier Bennett* drew a parallel between the four years it has taken to establish confidence between the federal and provincial governments on this subject and the necessity for starting to deal with the United States from a base of "mutual goodwill, confidence and cooperation". Having done so, if the United States got "too tough", then, said the Premier, it's "no dice"! *Mr. Lesage* said he and the Premier understood one another on this point.

Premier Bennett propounded the theory that B.C. had spent some time in seeking to have the United States agree that downstream benefits were worth something. This has now been agreed on the United States' side. *Mr. Robertson* suggested that we probably won't know until well on in the talks "how reasonable the United States are likely to be". *Mr. Lesage* thought that the United States would also want to discuss concrete Canadian plans. *Premier Bennett* thought that the United States want an abundance of firm power. In the initial phases, B.C. might assist in getting things moving if it accepted some cash and power for a short while. Thinking aloud, he suggested that the province could get all the firm, at-site power and, of the downstream benefits, say 40% could be taken initially in power and 60% in cash each month; when the installations have been paid for, then the 60% would be remitted in power. The Premier agreed with Mr. Robertson's suggestion that a firm cut-off period would be required depending on a shrewd guess as to the length of time the province could do without its full share of power. This might be much shorter than the financing period.

On the subject of the possible diversion of the headwaters of the Kootenay into the Columbia at Canal Flats, *Premier Bennett* agreed with *Mr. Lesage* that the same objections did not apply as in the case of the proposed diversion to the Fraser. *Premier Bennett* believed that Canada should enter into the talks with the spirit on wanting to find a solution in the Columbia in good faith. He seemed pleased to learn from *Mr. Robertson* that Montreal Engineering was being asked to consider two cases: a diversion of the Kootenay in conjunction with an integrated development the whole of the Columbia and an integrated development of the Columbia alone without the diversion.

Premier Bennett thought it should be made abundantly and publicly clear that a Columbia settlement is not to be tied to Canadian-U.S. trade relations. *Mr. Lesage* agreed that the Columbia matter should be discussed entirely on its own merits.

Both *Mr. Lesage* and *Premier Bennett* expressed satisfaction concerning this exchange of views.

E.A. C[ÔTÉ]

279. PCO

Note du ministre des Affaires du Nord et des Ressources nationales pour le Cabinet

Memorandum from Minister of Northern Affairs and National Resources to Cabinet

CABINET DOCUMENT NO. 251-56 Ottawa, December 13, 1956

CONFIDENTIAL

DISCUSSIONS WITH THE UNITED STATES ON WATERS CROSSING THE BOUNDARY

On February 23, 1956, Cabinet agreed in principle that discussions should be initiated with the United States on a government-to-government basis for the purpose of working out principles to be applied to downstream benefits, diversions of water and other water power problems arising in the case of rivers crossing the international boundary.

2. At that time, Cabinet also instructed the Advisory Committee on Water Use Policy to work out recommendations as to the basis for opening discussions and as to the course that should be followed in carrying them out. The Committee has put in hand studies which should yield, in the not too distant future, the necessary information on which to base recommendations to Cabinet. These studies range from a compilation of geographical, hydrologic and historical data to examination of the economic, legal and power system problems.

3. After Canada and the United States had agreed to the talks, this fact was made public through an announcement made by the undersigned in the House of Commons on May 23, 1956. In making the announcement, the undersigned stated that both governments believed that "a full and confidential exchange of views" might help solve the problems arising out of waters flowing across the boundary such as the Columbia, the Saint John and the Yukon Rivers. At the same time, I stated that "the two governments desire that the International Joint Commission shall press forward its studies under the Columbia River Reference of 1944...".

4. It was on March 9, 1944, that both these governments had agreed upon a joint reference being made to the International Joint Commission for the purpose of determining "whether a greater use than is now being made of the waters of the Columbia River system would be feasible and advantageous..." The Commission was thus requested to

> "determine whether in its judgment further development of the water resources of the river basin would be practicable and in the public interest from the points of view of the two Governments..."

and, if further works or projects are found to be feasible and desirable, the Commission was asked to

> "indicate how the interest on either side of the boundary would be benefited or adversely affected thereby."[188]

5. At the semi-annual meeting of the International Joint Commission on October 5, 1956, the Commission discussed the manner in which it should assess various storage possibili-

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[188] Voir volume 11, les documents 1077 et 1078.
See Volume 11, Documents 1077 and 1078.

ties in the Columbia Basin in both countries. The United States Section asked for information about plans for Canadian storage, including the method of operation and the periods during which regulated flows from such storage would be available to the United States. Very briefly, the Chairman of the Canadian Section pointed out that the resources are owned by the provinces but suggested that the Canadian "group who are concerned with these general plans that carry into the future" might... "give us as authoritative a statement as they can in relation to our own plans as to when we would feel it necessary to divert these flows...". The Canadian Chairman repeated the view which he had expressed to the Commission and to the House of Commons' Committee on External Affairs in April and May, 1955, that regulated flows from Canadian storage should be made available, for appropriate recompense, only until such time as the water is required for diversion to the Fraser River Basin.

6. On October 26, 1956, the Chairman of the Canadian Section of the International Joint Commission, wrote the attached letter to the Chairman of the Advisory Committee on Water Use Policy. In this letter General McNaughton asked consideration of this matter in the Advisory Committee on Water Use Policy, "where ... sufficiently firm conclusions might be reached to establish a basis of discussion in the International Joint Commission". In this way, discussions might be arranged to go forward "in a joint economic group" to consider the "fair recompense" to Canada for Canadian resources and services provided to the United States. In bringing this matter to the Committee, General McNaughton indicated that renewed U.S. interest may have arisen because of the United States anxiety over floods in the Kootenai and the Columbia and of the understanding by the Americans — possibly for the first time — of the benefits that would accrue if Canada withheld water from the flood crests by providing storage. The use of storage for flood protection is not limited by a possible diversion to the Fraser River Basin.

7. The matter was considered by the Advisory Committee on November 8. From the discussion it appears that points of major policy require consideration. Two viewpoints were put forward:

(a) One was that if the Committee prepared a statement for use by the Canadian Chairman in the International Joint Commission, this statement would be accepted as the view of the Canadian government. In that case, Canada's tactics in the impending diplomatic talks would have to be based on this statement which itself would be predicated on the diversion of Columbia River waters to the Fraser River Basin.

(b) Another viewpoint was that both the Canadian and the United States governments had given the International Joint Commission the task of determining whether, in its judgment, further development of the waters of the Columbia would be practicable and in the public interest from the points of view of the two governments and, if so, the effects of such developments on either side of the boundary. One important factor which the Commission would wish to consider is the effects of a diversion of waters to the Fraser Basin. Under this viewpoint, unless the United States government is convinced that Canada will, in the absence of any other satisfactory arrangement, make the diversion to the Fraser Basin, there will be no incentive for her to agree to provide recompense for regulated flows from Canada. Both British Columbia and Canada have asserted this principle of recompense in statements filed with the I.J.C. in response to the U.S. application for Libby Dam. In the absence of agreement, the United States would receive the regulated flows automatically when Canadian storage is built. It this view and under these circumstances, it would be important to provide the Commission with an authoritative statement putting forth a Canadian time-phased plan of diversions from the Kootenay to the Columbia and from the Columbia to the Fraser for use as a basis of discussion in the Commission.

8. The Chairman of the Canadian Section, International Joint Commission, has since suggested a line of approach, based on the statement made by Governor Jordan, the Chairman of the U.S. Section, I.J.C., at the meeting of the Commission on 5 October, 1956 when he said:

> "We do not care to debate with you or your colleagues whether or not you should divert. That is a decision you shall make for yourselves, and you alone will make it. But we are ready and willing and eager to discuss the development of the Columbia River *in the Columbia Basin*, and *following that* we are awaiting your decision as to diversion..."

To follow up this suggestion it might be agreed by Cabinet that in opening the diplomatic discussions the Canadian spokesman would say the matter of concern to Canada in the Columbia and adjacent basins is that the people of Canada should derive all due benefits from the water resources of Canada, and the Government of Canada is not at this stage concerned whether this result comes about by reason of the more effective use of the waters of the Columbia by diversion to the Fraser for the regulation of that river, or by recompense in power for the benefits conferred downstream in the United States consequent on the provision of flows which have been regulated in Canadian storages, or by reason of the integration of power plants in either country to the advantage of both or the like. However, the Government of Canada would much prefer to see an arrangement which, while providing for the people of Canada the maximum benefit from Canadian water resources, would at the same time result in as great a benefit as possible to the people of the United States. It could be suggested that the first step should be for the United States Government, in line with the above-quoted statement of the Chairman of the U.S. Section, I.J.C., to propose a plan of mutual benefit for the development of the waters of the Columbia basin within that basin. The spokesman might go on to say that the Canadian Government is willing to proceed with the exploration of these possibilities in these diplomatic discussions or alternatively to suggest to the Canadian Section I.J.C. that this be done in the I.J.C.

9. It would, however, have to be made clear that Canada entirely reserves her position and her rights, more particularly under Article II of the Treaty of 1909 by which "exclusive jurisdiction and control over the use and diversion, whether temporary or permanent, of all waters on its own side of the line which would flow across the boundary or into boundary waters..." has been reserved to Canada and the provinces. The spokesman might also say that the proposal for the use of the waters of the Kootenay within the Columbia Basin in Canada through the proposed Canadian plants downstream on the Columbia to the boundary is to be considered. In addition to asserting the rights reserved to Canada under the Treaty of 1909, this procedure would give an opportunity to the United States Government to make proposals which might prove to be acceptable to the Governments of British Columbia and Canada. The Canadian and British Columbia Governments could weigh the advantages to Canada which have been offered by the United States as against the advantages which would accrue to Canada from the alternative developments made possible by a diversion to the Fraser, and thereupon reach a conclusion as to action to be taken in the public interest of Canada.

Recommendations

10. In the light of the Cabinet decisions of 1944 and 1956 and of all pertinent factors, the undersigned suggests that these matters should receive early consideration by Cabinet.

Respectfully submitted,
JEAN LESAGE

[ANNEXE A/ANNEX A]

Le président de la Section canadienne de la Commission mixte internationale au président du Comité consultatif sur la politique relative à l'utilisation de l'eau

Chairman, Canadian Section, International Joint Commission, to Chairman, Advisory Committee on Water Use Policy

CONFIDENTIAL Ottawa, October 26, 1956

Dear Mr. Robertson,

I refer to the official record of the discussions which took place in the International Joint Commission on Friday 5 October, 1956, in respect to the Columbia River Reference (1944).

The aspect of primary importance which came under debate on this occasion was the question of continuing discussions in the Commission of the proposal for developments on the Columbia and the Fraser which the Canadian Section first put forward in April, 1955. You will recall that these proposals included the development of the Bull River-Luxor and Mica Creek Reservoirs with a total capacity of some 15 million acre-feet and the eventual diversion of water stored in these reservoirs to the Thompson-Fraser system for regulation. In explaining this proposal to the United States Section at the time I suggested that it might be possible to build the Mica Reservoir in anticipation of the time when the stored water would be required for diversion and to make this water available in the interim, for due and proper recompense, to provide regulated flow for use of the power plants on the United States portion of the Columbia River. I went on to say that if these reservoirs were built in the near future this arrangement would provide material assistance to the United States in the period in which a heavy power deficiency in the Pacific North-west States is forecast and would give the Pacific Northwest a breathing spell in which to develop alternative storage in the United States portion of the basin. I emphasized, of course, the temporary character of this aid and that we would need assurance that the United States would proceed with developments in replacement.

In the discussion on 5 October last Governor Jordan stated that the U.S. Section would be prepared to consider these possibilities provided that the Canadian Section would give an indication of the amounts of regulated flow which might be supplied, the period in which these flows would be available and the conditions of regulation which would be in effect.

I believe that this expression of interest is prompted primarily by reason of the rising anxieties in the United States over flood control, both on the Columbia itself and also on the Kootenay, and in this connection may I invite your attention to page 442 of the record where, in regard to the Kootenay valley, Governor Jordan said that "they have a desperate situation which can only be met either by storage *or by diversion*." If you will refer to the record you will note that by this Governor Jordan means either the Libby Dam or the diversion of the Kootenay to the Columbia at Canal Flats; clearly the U.S. Section is anxious for a decision on this by Canada in one way or the other.

As regards the acuteness of the flood problem in the Columbia: In the 1894 flood the river had a maximum flow of 1,240,000 cubic feet per second at the Dalles, and some 5 million dollars of damage is reported to have occurred. It has recently been estimated by U.S. authorities that if this same flood occurred today the damage would amount to 350 million dollars, that is, an increase by a factor of 70.

The main control plan recommended in the United States Corps of Engineers Report on the Columbia River, H.D.531, stated a requirement of 27 million acre-feet of upstream storage to reduce Columbia flooding to tolerable proportions. As matters stand, the United States has about 9 1/2 million acre-feet on the main stem of which, even with the extensive and expensive changes being made on the Grand Coulee Dam, perhaps no more than 5 million acre-feet could be operated to reduce possible peak flows.

The various storages included in the proposals put forward by the Canadian Section IJC in April 1955 comprise a total of 2.3 million acre-feet in major projects only in Canada, and much of this could be operated by Canada to assist with flood control downstream by the withholding of water from the flood crests. The reservoirs, when thus filled, would then be available for downstream regulation for the benefit of power.

In addition, under the Canadian proposal the United States could add 3.3 million acre-feet to Grand Coulee and construct 1.7 million acre-feet at Libby, a total of 5.0 million acre-feet not otherwise possible.

It seems that the United States has now, perhaps for the first time, grasped the significance of the very extensive benefit which Canada is in a position to give in this matter, and which it appears is not otherwise practicable of attainment at this time, and that this is the principal reason for the renewed interest being shown in our proposals.

I believe that we should be responsive to this interest, and to this end I am anxious to explore the matter in the International Joint Commission. Because of the urgency of the problem of flood protection on the Kootenay I feel that in this exploration we must consider both the Kootenay diversion and the Mica Reservoir.

These two projects together are capable of withholding some 15 million acre-feet from the river flows and much of this, by appropriate arrangement, can be drawn from the flood crests.

Based on the forecast of power loads in south western British Columbia recently given by the President of B.C. Electric and assuming the use of Mica, Priest Rapids and Murphy Creek for at-site power, and including the completion of the Canadian plants on the Pend d'oreille to serve developments in the Kootenay area, I have thought, having in mind a progressive development of the Fraser-Thompson plants coming in after the power from the Mica group has been absorbed, that we could contemplate three states in the diversion of the flows from Mica and Bull River-Luxor Reservoirs. This would mean these flows would be available to the United States as I indicated on page 445: 5 million for quite an extended period, 10 million for a rather less period, and an initial period when 15 million would be available. I have thought the period when 15 million acre-feet would be available for downstream power benefit and/or as storage for flood relief might be about 15 years from the completion of Mica, with 5 years for each of the two succeeding phases. If Mica and Bull River-Luxor projects were started in 1958, some 3.4 million acre-feet from Bull River-Luxor could be available in 1963; 11.8 million acre-feet could be added from Mica in 1966, making some 15 million acre-feet which would be available for say 15 years, that is, to 1981. Then the regulated flow down the Columbia to the United States might decrease to 10 million acre-feet for 5 years until about 1986; then to 5 million acre-feet for another 5 years, that is, until about 1991, when it would cease.

Such an arrangement of dates for the taking into use in the Fraser of the waters of the Columbia which might be diverted from the Bull River-Luxor and Mica Reservoirs comprehends the earliest construction of these reservoirs which is practicable; then a period of full use of the water downstream followed by a period of progressive reduction which will give the United States time to construct equivalent reservoir capacity in their own part of the Columbia basin. The period in which I suggest these reductions would take place would coincide with a period in which very rapid development of the Vancouver load requirement is forecast and in this period the additional regulation of the plants on the Thompson-Fraser system provided by the diversions from the Kootenay and Columbia would be particularly useful.

It is on the basis of such generalizations that I have mentioned 1991 as the date on which the diversions into the Thompson-Fraser should be made fully effective.

The fair bargain which we would need to make would provide both for downstream benefits to United States power plants from regulated flow and recompense for the use of storage, possibly partly alternative to power benefits, for flood protection.

You will note that on page 446 of the record I have undertaken to endeavour to put myself in a position to make a statement on this prospect in the near future, but before doing this I would, of course, hope the matter would receive consideration in the Advisory Committee on Water Use Policy, where I think with the information and forecasts now available sufficiently firm conclusions might be reached to establish a basis of discussion in the International Joint Commission. This being done might permit discussions to forward usefully in a joint economic group to consider what would constitute a fair recompense to Canada for the use of Canadian resources and for services rendered and for costs incurred by projects built ahead of Canadian requirements in order to help the United States in flood protection and power benefits in the interim.

In order to help in any consideration of this matter in the Advisory Committee on Water Use Policy I have had prepared an abbreviated account† of the International Joint Commission session on 5 October last in which the record is reduced to the observations relevant to this issue only. A copy of this I enclose herewith, and other copies are available as you may require.

Yours sincerely,

A.G.L. McNAUGHTON

280. **PCO**

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], December 19, 1956

Present:

The Prime Minister (Mr. St. Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue
and Acting Minister of National Health and Welfare (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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NORTHERN AFFAIRS AND NATIONAL RESOURCES; DISCUSSIONS WITH THE UNITED STATES ON WATERS CROSSING THE BOUNDARY (PREVIOUS REFERENCE FEB. 23)

. . .

An explanatory memorandum had been circulated.

(Minister's memorandum, Dec. 13, 1956 — Cab. Doc. 251-56).

35. *Mr. Lesage* added that, in his recent talks, the Premier of British Columbia, Mr. Bennett, had expressed his opposition to a diversion of waters from the Columbia to the Fraser, but had agreed not to take an official stand on the issue at this stage. On the other hand, if the Canadian government decided to base its case on such a diversion before the diplomatic discussions were initiated, Mr. Bennett would certainly make public his unwillingness to agree to such action. Meanwhile, the British Columbia Electric Company and Montreal Engineering were proceeding with preliminary studies on the physical and economic possibilities of a diversion to the Fraser River and on possible interconnections and integration within the Columbia Basin. Their reports would be ready by January 15th, 1957.

36. *During the discussion* the following points emerged:

(a) There was no justification for changing the decision that the question of waters crossing the international boundary be discussed through diplomatic channels. It would be desirable for the Minister of Northern Affairs and National Resources to state the views of the government of Canada at the opening of these talks.

(b) It would be undesirable to base the Canadian case on the Columbia diversion to the Fraser River at the beginning of those diplomatic discussions. While this proposal seemed impractical, it would be unwise to take a decision or to make a statement on this issue before the results of the studies now being made became available.

37. *The Cabinet* noted the report of the Minister of Northern Affairs and National resources on discussions with the United States about waters crossing the boundary, and re-affirmed the decision that such discussions take place through diplomatic channels rather than in the International Joint Commission, it being understood that the Canadian position on the diversion of waters from the Columbia River to the Fraser Basin would be defined later in the light of the results of studies new being made in this matter.

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281. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], March 28, 1957

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare
and Acting Secretary of State for External Affairs (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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WATERS CROSSING THE BOUNDARY; DISCUSSIONS WITH THE U.S. (PREVIOUS REFERENCE MARCH 7)

15. *The Minister of Northern Affairs and National Resources* said that a preliminary meeting of officials of the United States and Canada had been held on waters crossing the international boundary in Ottawa on March 19th. As a result, the following terms of reference were proposed for the main discussions:

(1) To examine, in the light of the Boundary Waters Treaty of 1909, the subject of waters which flowed across the boundary between Canada and the United States with a view to reaching mutual understanding of the nature and extent of the questions involved.

(2) To examine in particular the effects, both beneficial and adverse, in the downstream country, of actions in the upstream country involving waters which crossed the international boundary, with a view to considering possible arrangements for appropriate adjustments.

(3) To examine other related questions which might arise.

Officials thought that there might be a meeting at ministerial level in Washington in May and another one in the fall in Ottawa. They were submitting to the two governments for consideration the following draft agenda for the May meeting:

(1) Terms of reference.

(2) Nature of questions involved in the subject of waters flowing across the international boundary.

(3) Examples of types of questions involved under item (2).

(4) Arrangements for future discussions and for exchange of information.

The terms of reference and the draft agenda had been found satisfactory by the Advisory Committee on Water Use Policy and had also been discussed with officials of British Columbia. It was suggested that the major part of the May meeting would revolve around the last item of the agenda regarding future discussions.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 26, 1957 — Cab. Doc. 68-57†)

16. *Mr. Lesage* added that he would be prepared to head the Canadian delegation at the May meeting, and that it should be agreed at the meeting that the optimum development of the whole Columbia River Basin should be examined as an integrated system and as if there were no boundary. If this question were recognized as being an important aspect of the problem under discussion, it might then be useful to suggest at an early date to the U.S. representatives that a small joint committee of experts be set up to study the implications of the physical and electrical integration of this basin. When this information was available, it would be easier to assess the advantages which Canada would derive against what could be done entirely within the country. If this approach were acceptable, it would seem appropriate to have D.M. Stephens, Chairman and General Manager of the Manitoba Hydro Electric Board, A.F. Paget, Comptroller of Water Rights for British Columbia, and Dr. Gaherty, of Montreal Engineering, as Canadian representatives on this joint committee.

The Minister also intended to make a short statement in the House on the meeting of officials held on March 19th. He would merely say that the meeting had been very successful and that proposed terms of reference had been drawn up for the ministerial meeting to be held in May in Washington.

17. *During the discussion* it was pointed out that there could not be any provincial representation in the Canadian delegation at those talks. However, the provinces, and British Columbia in particular, could send representatives to Washington in May for consultation with the Canadian delegation during the meeting.

18. *The Cabinet* noted the report of the Minister of Northern Affairs and National Resources on discussions with the United States on waters crossing the boundary and agreed,

(a) that a meeting at the ministerial level be held in Washington in May to consider the terms of reference and the agenda suggested above; and,

(b) that a statement be made in the House of Commons on the results of the March meeting of officials in Ottawa and to announce the ministerial meeting in Washington in May.[189]

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282. C.E.W./3176

Procès-verbal de la réunion entre les États-Unis et le Canada concernant les eaux traversant la frontière internationale

Minutes of meeting between United States and Canada on waters crossing the international boundary

RESTRICTED Washington, May 20 & 21, 1957

Present for the United States:

Mr. John Wesley Jones (Chairman), Department of State
Mr. M.C. Parsons, Department of State
Mr. J.L. Nugent, Department of State
Mr. R.T. Yingling, Department of State
Mr. R. Vallance, Department of State
Mr. C. Sedgwick, Department of State
Mr. E.W. Weber, United States Corps of Engineers
Mr. J. Bradley, Department of Interior
Mr. C.G. Paulson, Department of Interior
Mr. A. Williams, Secretary, United States Section, International Joint Commission
Mr. F. Weaver, Federal Power Commission
General J.S. Bragdon, representing the Office of the President
Mr. A. Dubs, United States Embassy, Ottawa.

Present for Canada:

Mr. J. Lesage, Department of Northern Affairs and National Resources
Mr. A.F.W. Plumptre, Department of Finance
Mr. J.H. Cleveland, Department of External Affairs
Mr. E.A. Côté, Department of Northern Affairs and National Resources
Mr. T.M. Patterson, Department of Northern Affairs and National Resources
Mr. O.J. Firestone, Department of Trade & Commerce
Mr. J.L. MacCallum, Canadian Section, International Joint Commission
Mr. D.R. Taylor, Canadian Embassy, Washington, D.C
Mr. K. Kristjanson, Department of Northern Affairs and National Resources.

Item 1 – Welcome by Chairman

The Chairman, Mr. John Wesley Jones, extended a warm welcome to the Canadian group. He recalled that the origin of these discussions was the meeting between Prime Minister St. Laurent and President Eisenhower at White Sulphur Springs about a year ago. The Chairman noted that the initial meeting had been held in March in Ottawa and that Canadian and United States officials had agreed on tentative Terms of Reference and on a draft Agenda for this meeting.

At the March meeting a decision had also been taken to prepare working papers on the subject of waters flowing across the boundary. The United States group was to prepare a paper on the "Nature of questions involved in the subject of waters which flow across the international boundary", and the Canadian group was to write a paper on "Examples of types of questions involved in the subject of waters which flow across the international boundary".

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[189] Voir Canada, Chambre des Communes, *Débats*, 1957, volume III, pp. 2889 à 2890 et 3565.
See Canada, House of Commons, *Debates*, 1957, Volume III, pp. 2765-2766 and 3403.

Item 2 – Response by Mr. Lesage

Mr. Lesage thanked the Chairman for the words of welcome and underlined that the Canadian Government has a sense of urgency regarding certain questions arising out of problems involving the development of waters which cross our common boundary.

The Chairman presented the following draft agenda which was accepted:

AGENDA

(1) Welcome to the Canadian delegation by Deputy Assistant Secretary John Wesley Jones;

(2) Response by the Honourable Jean Lesage;

(3) Approval of the Minutes of March 19th meeting;

(4) Discussion of Terms of Reference;

(5) Major questions involved in the subject of waters crossing the boundary;

(6) Examples of the type of questions involved in Agenda item No. 5;

(7) General discussion;

(8) Statement for the Press.

Item 3 – Minutes of March 19, 1957 Meeting†

The Minutes of the meeting held in Ottawa on March 19 were approved without addition or correction.

Item 4 – Terms of Reference

The suggested revisions made by the United States group to the proposed Terms of Reference agreed upon *ad referendum* at the March 19 Ottawa meeting formed the basis for discussion.

SUGGESTED REVISION OF PROPOSED "TERMS OF REFERENCE"
(UNDERSCORING DENOTES ADDITIONS AND OVERDASHING
DENOTES DELETIONS)

1. To examine, in the light of the Boundary Waters Treaty of 1909 and other pertinent considerations, the subject of waters which flow across the boundary between Canada and the United States with a view to reaching mutual understanding of the nature and extent of the questions involved.

2. To examine in particular the effects, both beneficial and adverse, in both the downstream and upstream countries of actions in the upstream country involving waters which cross the international boundary with a view to considering principles and procedures possible arrangements for appropriate adjustments.

3. To examine other related questions which may arise in giving consideration to such international rivers.

Paragraph (1): The Canadian group asked for clarification of the meaning of the words "and other pertinent considerations" and emphasized that Canada had no intention of opening a discussion of the Boundary Waters Treaty itself. In response the United States group gave assurances that there was no intention of opening the question of amending the Boundary Waters Treaty of 1909. The United States official indicated that the Boundary Waters Treaty was not the only document that had a bearing on these talks and they did not wish to exclude "other pertinent considerations". As a specific example it was pointed out that the question of downstream benefits was not mentioned in the Boundary Waters Treaty of 1909. Therefore, if the Terms of Reference limited the negotiators to an examination of this question only in the light of the Treaty this might mean that the important question of downstream benefits could not be taken into account. It was thought that the proposed amendment was a useful broadening of the Terms of Reference. The Canadian group indicated that it was their impression that the question of downstream benefits was a logical consequence of certain terms of the Boundary Waters Treaty.

Following the above discussion, it was agreed that the first Term of Reference should be amended to read "To examine in the light of the Boundary Waters Treaty and other pertinent considerations within the framework of that Treaty ... ".

Paragraph (2): The Canadian group asked why the United States proposed to substitute the words "principles and procedures" for "possible arrangements" in the second Term of Reference.

The United States group said that it believed that the words "possible arrangements" might be construed to mean that the discussions were designed to draft an arrangement for a specific settlement whereas the United States group believed the intent of the talks was to establish principles and procedures on which specific arrangements are worked out at a later time. The Canadian group suggested that any possible arrangements must necessarily vary from one situation to another. For example, the Columbia, the Yukon and the Saint John are all specific cases that require particular arrangements for settlement.

The United States group made reference to a Note from the Canadian Embassy dated March 15, 1956, which emphasized the desirability of arriving at certain principles. The Canadians said that this was true but that since March 1956 they had applied themselves to an examination of how principles might best be arrived at to settle the questions involved. The Canadian group now believed that it would be difficult to deduce principles without examining specific cases. The Canadian group suggested that the inductive method might be a more fruitful avenue of approach. For example a detailed investigation of the development possibilities of the Columbia River Basin might lead to an arrangement out of which certain principles might evolve which could be applied to other cases. In this connection it was pointed out that the same procedure had been used in negotiating various fisheries conventions. Specific problems were settled by a series of arrangements through which runs a set of common principles.

After further discussion the phrase "principles and possible arrangements" was accepted.

The Canadian group then asked why the United States proposed in the second Term of Reference to add the words "in both the downstream and upstream countries". The United States group said that this change was meant to take into account the situation in which a river, e.g., the Kootenay, crosses and recrosses the boundary. In these situations actions in the upstream country would have effects in both countries. The Canadian group said that they recognized that in one case Canada might be the upstream country and in another the downstream country.

The amendment was accepted and it was also agreed to delete after the word "actions" the words "in the upstream country".

Paragraph (3): The proposed United States amendment to delete the word "related" and to add the words "in giving consideration to such international rivers" was accepted with the exception that the final word "rivers" was changed to "waters".

In summary, the following Terms of Reference agreed upon now read:

(1) To examine in the light of the Boundary Waters Treaty of 1909 and other pertinent considerations within the framework of that Treaty, the subject of waters which flow across the boundary between Canada and the United States with a view to reaching mutual understanding of the nature and extent of the questions involved.

(2) To examine in particular the effects, beneficial and adverse, in both the downstream and upstream countries, of actions involving waters which cross the international boundary, with a view to considering principles and possible arrangements for appropriate adjustments.

(3) To examine other questions which may arise in giving consideration to such international waters.

Item 5 – United States Paper†

The United States delegation presented a paper which discussed briefly and in general terms possible questions which could arise out of the development or use of waters which cross the international boundary. In connection with Point 10 of the United States working paper, the United States group stated that while the United States would have no objections to considering possible arrangements for one specific case such as the Columbia River, the United States would want to examine those arrangements in the context of other international waters. The Canadian group acknowledged this point and asserted that any possible arrangements for one river would set a precedent which would have to be taken into account when similar situations involving other rivers were considered.

Item 6 – Canadian Paper†

The Canadian delegation presented a working paper which listed some 240 waters which cross the international boundary. The paper pointed up, where appropriate, the international significance of these waters. The Canadian group said that any views which the United States group might have with respect to the paper would be welcome. One suggestion made was that the Canadian paper include a section on the Richelieu River.

The United States side agreed to study the Canadian document and send any comments through regular, i.e., diplomatic channels.

Item 7 – General Discussion

The Chairman of the Canadian group emphasized that Canada wished to study all problems in one specific basin and then see how any other basins would be affected by any agreement that might be reached. In Canada the Columbia River was considered to be very important at this time and it was thought that the United States Pacific Northwest was also interested in developing the Columbia River.

Mr. Lesage said that the Canadian Government, in considering the development of the Columbia River and its tributaries, is faced with three broad alternatives:

(1) The diversion of some water of the Columbia River into the Fraser River system;

(2) Independent development of the Columbia River Basin in Canada for maximum benefits to Canada; and

(3) An integrated development of the Columbia River basin with a view to obtaining the optimum economic benefits in both the United States and Canada.

Studies of the first and second alternatives are already in progress in Canada.

To estimate the order of magnitude of the economic benefits from the third alternative, the Canadian Government thought it desirable to establish a national working group of engineers. Mr. Lesage did not know whether the United States wanted to establish a similar group but he was anxious that the Canadian working group should have a point of contact in the United States where it could get authoritative information. The Canadian group would study the order of magnitude of the benefits which could accrue to both countries by an integrated development of the Columbia. The Canadian Government was interested in this type of study in order to be able to evaluate advantages to Canada of this alternative.

This Canadian group would be made up of three engineers from outside the federal government service. Mr. Lesage said this approach to the problem had already been approved by the Canadian Government. He outlined the purpose of the Canadian working group along the following general lines:

(1) To examine, on the basis of available information, different plans for an integrated development of the Columbia River Basin;

(2) To estimate the possible order of magnitude of the benefits that might be derived from each of the plans for integrated development which appear to be most promising;

(3) To report to the Canadian Government.

Following discussion it was recognized that conduct of studies of the foregoing nature in either country would require arrangements to facilitate exchange of pertinent available data.

In summarizing the United States position Mr. Jones said he was pleased to find that the concensus of the United States group favoured the objectives in principle. However, in view of the several agencies involved and the policy implications it would be necessary to consider the matter further and provide an official reply later through diplomatic channels.

It was explained that if the United States were to set up a working group or point of contact it might well be composed of government officials. The United States might wish to enlist Canadian cooperation in making similar studies of areas other than the Columbia River basin such as the Yukon and Saint John.

Mr. Lesage pointed out that Canada had previously agreed to cooperate in exchanging data on the Yukon and that his Water Resources Branch was in a position to furnish data on the Saint John as a result of recent studies under International Joint Commission auspices.

Item 8 – Statement for the Press

A draft press release was considered and approved.

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Tuesday Morning May 21st

During the discussion of item 7 of the Minutes relating to the order of magnitude of benefits from integrated development, one member of the United States group pointed out that during the discussion the term "integrated" had been used frequently with reference to the Columbia River basin. He thought it would be desirable to have clarification of what was meant by this term. The United States Department of Interior, for example, is interested not only in power but also flood control, navigation, fish and wildlife, recreation and other uses. Therefore, it is important to know whether the term "integrated" refers to the optimum development of resources for all the uses and not just for power.

This point was considered a matter which should be given careful consideration at a later time.

The meeting adjourned at 12 p.m.

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6e PARTIE/PART 6

PONTS INTERNATIONAUX : PEACE BRIDGE
INTERNATIONAL BRIDGES: PEACE BRIDGE

283. PCO

Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet

Memorandum from Secretary of State for External Affairs
to Cabinet

CABINET DOCUMENT NO. 15-56 Ottawa, January 25, 1956

CONFIDENTIAL

PEACE BRIDGE BETWEEN FORT ERIE AND BUFFALO

I. BACKGROUND

The Peace Bridge across the Niagara River connecting Fort Erie, Ontario, with Buffalo, New York, is owned and managed by the Buffalo and Fort Erie Public Bridge Authority, a corporation incorporated under the laws of the State of New York, and given authority by an act of the Congress of the United States, passed in 1933, and an act of the Parliament of Canada, passed in 1934. The Authority is composed of six residents of the United States appointed by the Governor of the State of New York and three residents of Canada appointed by the Governor in Council. The purpose of the Authority and its predecessor companies was to erect an international bridge across the Niagara River as a memorial to a century of peace between the two countries, the money to be raised by public-spirited persons and the bridge to become toll-free upon the liquidation of the debt incurred in its construction. Most of the capital was subscribed in the United States and most of the bonds now outstanding are held in the United States.

2. The bridge was not a profitable enterprise during the depression of the 1930's, but in recent years it has been showing a net surplus which in each of the calendar years 1953 and 1954 exceeded $550,000. Under existing legislation the assets on either side of the boundary revert respectively to Canada and the State of New York upon retirement of the bonded indebtedness of the Authority. The bonds now outstanding must be retired not later than January 1, 1962, and could be retired as soon as enough money is in hand if the Buffalo and Fort Erie Public Bridge Authority so wished. Calculations suggest that retirement would be possible by January 1957.

II. SOURCE OF THE PROBLEM

3. Buffalo used to be the fifth largest port in the United States but now rates about twentieth. In an endeavour to improve its position, the city has, since 1928, been trying to promote a port authority along the lines of the New York Port Authority. Six attempts have been made to secure legislation from the State of New York to establish a Buffalo port authority but all of these bills failed, apparently because the legislature was not satisfied that the projects would be self-supporting. On February 22, 1955, the State Legislature unanimously approved a bill providing for the establishment of a Niagara Frontier Port Authority. The new feature in this bill (which has the approval of the Governor of New York) is the inclusion in the Niagara Frontier Port Authority of what is known as the

"bridge project", i.e., the Peace Bridge. The bridge project is expected to supply a steady source of income which will make grants from the State budget unnecessary and to provide an asset which will permit bonds to be floated to finance capital expenditures.

4. The New York State Act of 1955 touches upon Canadian interests in several respects. It provides that the Port Authority is to be composed of eight members appointed by the Governor of New York from the Buffalo district and three members appointed by the Government of Canada. Under the Act as it now stands, the three Canadian members would act only in respect of matters affecting that portion of the Peace Bridge which is situated within Canada. (Buffalo officials have since indicated their willingness to have Canada have an equal voice in the control of the bridge.) The New York Act by implication recognizes the reversionary interest of Canada in the part of the bridge which is in Canadian territory, and provides that the New Authority should act as "the agency or instrumentality" of Canada in respect of the assets and property situated in Canada. The Attorney-General of the State of New York in a written opinion on the New York Act stated that the State Legislature could take no action purporting to alter the existing status of the Peace Bridge without the consent of the Parliament of Canada and the Congress of the United States.

5. Representatives of the State of New York and the City of Buffalo, with the support of the United States Embassy, have asked that the Government of Canada approve the proposed changes in the régime of the Peace Bridge and extend such co-operation as is necessary to permit the bridge project to be included in the Niagara Frontier Port Authority. They have stated that the Port Authority could not function unless it included the bridge project, and that without it the whole scheme would collapse. They also stated that the terms of the trust indenture which accompanied the issuance of bridge bonds in 1946 make it necessary that the bridge and the port be included under one authority if the New York share of bridge revenues is to support the port project. They have said that two legally separate but related corporations would not meet their requirements. It is the request of the New York and Buffalo authorities that the Government of Canada will secure such Canadian legislation as may be necessary in order to allow the bridge project to be brought within the Niagara Frontier Port Authority, and that it will agree that the bridge should not become toll-free but should be used as a source of revenue the net surplus being divided equally between Canada and the Niagara Frontier Port Authority. The New York interests have estimated that even with a decrease in tolls from the present basic toll of 25¢ to 15¢, an annual net surplus of the order of $600,000 could be realized after bonds have been redeemed. No figures have been produced to justify this assertion.

6. The same interests have asked that the Canadian Government take action to enable the bridge project to become part of the Niagara Frontier Port Authority as soon as possible. The Port Authority is now in being, as the United States members have been appointed. They will take control of all their other assets by July 1, 1956, and say that they will need to be able to use their portion of the bridge as security for bonds to raise money to inaugurate their programme of capital improvements in the port. The New York interests have further represented that if the scheme fails because the Niagara Frontier Port Authority is unable to have the use of the United States portion of the bridge (and on time), the opportunity will probably be forever lost because supporters of the New York Thruway will then persuade the legislature that it should turn the New York interest in the bridge over to the Thruway and abandon the Buffalo Port Authority scheme.

III. QUESTIONS FOR DECISION

7. The desire of the State of New York and the City of Buffalo to alter the existing arrangement for operation of the Peace Bridge raises two principal questions:

(a) Is the Government of Canada willing, subject to the passage of the necessary legislation by Parliament, to accede to the United States desire that the Peace Bridge should be operated as a toll bridge with the object of making a profit?

(b) If the answer to the previous question is affirmative, what form should co-operation with the State of New York take to achieve this aim?

Discussion

8. The following are arguments in favour of operating the Peace Bridge as a profit-making toll bridge:

(a) If the Peace Bridge were toll-free, or if the toll were merely sufficient to cover operation and maintenance, it would be difficult to arrange, in the future, for the financing of an additional bridge in the area by private capital when increased road traffic requires an additional bridge. The federal government could expect to be asked either to reimpose a high rate of tolls or to finance half the cost of a new bridge. It could also expect to be asked to pay the cost of improving facilities on the Canadian side to take care of increased traffic over the existing bridge.

(b) Refusal to agree that the bridge should be operated as a profit-making toll bridge may be expected to generate considerable ill-will towards Canada in the Buffalo area. While there appears to be some doubt in New York as to the entity which should receive the profits from the United States interest in the bridge, there does not appear to be much doubt that the bridge should be a profit-making toll bridge.

9. The following are arguments against operating the Peace Bridge as a profit-making toll bridge:

(a) Profit-making will be a contravention of the original intent of those who conceived the idea of the Peace Bridge and subscribed the money to build it.

(b) There may be some doubt as to the propriety of levying tolls on the bridge to raise money for a purpose not connected with the bridge.

(c) Operating the bridge as a profit-making enterprise creates a need to find some method of using the Canadian share of the profits. It could be paid into the Consolidated Revenue Fund, used for some local scheme for development, or paid into a fund for building an additional bridge in the future. All of these suggestions have drawbacks.

10. On balance, it seems advisable to accede to the American wish that the bridge be operated to provide a profit. If the Canadian Government refused to co-operate to the extent of agreeing that profit-making tolls should be charged, it might find that the New York interests would unilaterally terminate the present arrangement and impose tolls on their half of the bridge. The levying of tolls for profit on the American side appears in any case to be practically inevitable. The smaller the Canadian toll, the larger the American toll can be. The Canadian Government could thus be indirectly subsidizing the beneficiary of the American tolls. Moreover, refusing to allow the Peace Bridge to become an asset of the Niagara Frontier Port Authority will probably create considerable ill-will without aggravating the situation by refusing to agree to levy tolls for profit.

11. Three possible ways of working out an agreement with the New York authorities for a profit-making régime for the bridge are:

(a) The Canadian Government could agree to some suitable modification of the plan proposed by the New York authorities in connection with the Niagara Frontier Port Authority.

(b) The Canadian Government could agree to the operation of the bridge for profit by a separate corporation which could turn over half of the profits to the Niagara Frontier Port Authority and half to some agency designated by the Canadian Government.

(c) The Canadian Government could agree that tolls should be levied for profit, but suggest that each government own and operate its portion of the bridge separately, with certain functions being co-ordinated by agreement.

These possibilities are discussed below.

12. *The New York Plan.* It would be possible to make numerous modifications in the plan set forth in the law passed by the New York State legislature in February, 1955, in such a manner as to protect Canadian interests and ensure proper control and management. The argument in favour of co-operation along the lines of the New York plan, suitably modified, is based entirely on considerations of goodwill. Such press reports from the Buffalo area as have been seen suggest that Canadian refusal to fall in with the Niagara Frontier Port Authority scheme will be viewed as unco-operative in the Buffalo area. There will be a tendency to ask what more Canada could seek than the free gift of title to half the bridge, free use of half the profits, and an equal voice in the control of the bridge.

13. The arguments against co-operation through the New York plan are:

(a) The Canadian Government would be agreeing to an arrangement whereby Canadians would be appointed to an Authority the main purpose of which would be the improvement of the Port of Buffalo. The fact that their participation would be of the most indirect sort would probably not be apparent to the public; the whole New York scheme is based on a desire to make the Peace Bridge appear to be part and parcel of the Port Authority. On grounds of principle such an arrangement is probably unsound.

(b) The Canadian public would probably not be able to understand why the Canadian Government had agreed to place the Canadian portion of the bridge under a United States authority.

(c) The Canadian Government would be agreeing to an arrangement which appears to place the bridge under the Niagara Frontier Port Authority while really creating what amounts to a separate corporation to operate the bridge. This is not a straightforward operation, and creates some dangers, notably with respect to control, because it is difficult to be sure how the United States courts would interpret the New York act after amendment.

The disadvantages appear to outweigh the advantages of this course of action.

14. *A Separate Corporation.* A separate corporation to operate the bridge has the following advantages if it is acceptable to the State of New York:

(a) A contractual arrangement can be made with New York which would provide for complete equality of control and for the protection of Canadian interests to the full.

(b) It would be a straightforward, easily defensible arrangement.

(c) It would permit the Canadian Government to prevent the State of New York, or an agency thereof, from imposing tolls at will on the United States portion of the bridge.

(d) It should avoid involving the Canadian Government in paying for the upkeep, operation or replacement of the bridge and its approaches, in paying for improvements, or in paying for the construction of an additional bridge.

15. The disadvantage is that the promoters of the Niagara Frontier Port Authority may find such a plan unacceptable. They have already suggested that it will not suit them,

because it would not allow the Port Authority to use the United States half of the bridge as security for bond issues. If the scheme of a separate corporation is acceptable, it should be possible to use the present Bridge Authority for this purpose after suitable changes in composition and terms of reference to give complete protection to Canadian interests.

16. *Separate Ownership and Management.* It would be possible to suggest that the New York interests take steps to have the existing Bridge Authority pay off its outstanding debts as soon as possible, thereby precipitating the reversion of the two interests in the bridge to Canada and New York respectively. The Canadian Government and such agency as the State of New York might designate could then levy tolls for profit. Each owner would be responsible for maintenance of its own share and for providing for the future. The advantages of this course are:

(a) There would be no untidy responsibilities left over from previous régimes. There would be no doubt as to ownership or control.

(b) From the United States point of view the principal advantage is that the Niagara Frontier Port Authority or other beneficiary would have absolute title to the United States share of the bridge, could mortgage it and its revenues for the maximum amount of capital for use in connection with the port, and would not be hampered by any undertakings to Canada with respect to the size of its obligations or the level of tolls it could charge.

17. The disadvantages are:

(a) This course might give rise to considerable friction. *Ad hoc* agreements would be required on matters like maintenance and repairs and rates of tolls and methods of collecting tolls.

(b) Toll rates could become a source of dispute, with one side wanting to charge more than the other.

Recommendations

18. The undersigned recommend that the Secretary of State for External Affairs be authorized to inform the United States authorities as follows:

(a) The Canadian Government is not prepared to appoint representatives on the Niagara Frontier Port Authority nor to appoint this Authority as the "agency or instrumentality" of the Canadian Government to manage and operate the Canadian portion of the Peace Bridge;

(b) If other suitable arrangements can be made, the Canadian Government is prepared, subject to approval by Parliament, to co-operate with the State of New York (or the Port Authority as its designated agency) in operating the Peace Bridge as a profit-making toll bridge for a substantial but limited period (say 30 years);

(c) Suitable arrangements could be on the lines of a separate corporation, distinct from the Port Authority, in which Canada and the State of New York would participate and have equal rights. Alternatively, the arrangements could take the form of the Canadian Government and the Port Authority respectively owning and operating the respective portions of the bridge for profit, and of course making working agreements for practical co-operation.

(d) The Canadian Government is prepared, subject to approval by Parliament, to co-operate with the State of New York for the purposes of liquidating the present Buffalo and Fort Erie Public Bridge Authority, including payment of the outstanding bonded indebtedness out of accumulated surpluses, and of vesting the U.S. portion of the bridge in the Niagara Frontier Port Authority as the designated agency of the State of New York.

19. The undersigned also recommend that, if arrangements can be made with the United States authorities within a reasonable time pursuant to the principles laid down in para-

graph 18, they be authorized to submit a further report to Cabinet with a view to Cabinet approving the introduction of the necessary legislation during the 1956 Session of Parliament.[190]

L.B. PEARSON

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284. DEA/11715-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], March 7, 1956

PEACE BRIDGE: AMENDMENT OF NEW YORK STATE ACT

As Mr. Wershof informed you yesterday, the United States Embassy has sent us the text of the amendments to the New York State Act of 1955, creating the Niagara Frontier Port Authority. These amendments have apparently been introduced already into the New York State Legislature, in order to meet a March 7 deadline for the introduction of amendments. The amendments provide that the existing Buffalo and Fort Erie Public Bridge Authority should be dissolved, and that the two halves of the bridge should revert to New York State and to Canada. The New York State half of the bridge would go under the Niagara Frontier Port Authority. This is one of the alternative arrangements offered by Canada in the memorandum of February 3, 1956. Our memorandum provided, however, that the outstanding bonded indebtedness of the old Authority should be paid off before it was terminated, whereas the draft amendments provide for the assumption of this bonded indebtedness by the successor bodies. Study of the amendments may indicate other respects in which they fail to meet our requirements.

2. In passing us the text of the amendments, the Embassy informed us that State Senator Mahoney, Majority Leader of the New York State Senate, had been requested to introduce the amendments. Senator Mahoney has also been requested to consult the Canadian authorities. Up to now, however, the Embassy has simply passed us the amendments and has made no requests for consultations.

3. In accordance with your instructions, Mr. Wershof explained our attitude to Mr. Rewinkel of the Embassy today. He pointed out that the Embassy had already been informed of the view of the Canadian Government that it would be desirable to have consultations between Canadian authorities and the appropriate authorities either of New York State or of the Niagara Frontier Port Authority, concerning any new arrangement for the Peace Bridge which is intended to meet the views of the Canadian Government, set out in the memorandum of February 3, 1956. These consultations would cover particularly the text of any amendments to Chapter 870 which are intended to meet the Canadian require-

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[190] Le 2 février 1956, les membres du Cabinet ont convenu d'informer les autorités américaines de la position canadienne, dont les grandes lignes sont exposées au paragraphe 18. Le message a été confié à l'ambassade des États-Unis le 3 février pour qu'elle le transmette aux représentants des États-Unis à New York et Buffalo. Voir *Globe and Mail*, February 4, 1956.

On February 2, 1956, Cabinet agreed to inform the U.S. authorities of the Canadian position as outlined in paragraph 18. The message was handed to the United States Embassy on February 3 for transmission to representatives of New York and Buffalo. See *Globe and Mail*, February 4, 1956.

ments. The Canadian Government could not, however, conduct such consultations in the space of a few days, as various Departments of the Government are concerned, and it would probably also be necessary to consult local representatives from the area. It seemed that the New York State Legislature may conclude its current session by about March 15. If this were the target date, the intervening period would not permit the type of consultation which the Canadian Government wished, and there would be little purpose in a visit to Ottawa of representatives of New York State or of the Niagara Frontier Port Authority.

4. Mr. Wershof went on to say that it was, of course, recognized that the New York State Legislature could pass whatever amendments it wished to Chapter 870, and that some of the proposed amendments were required for other reasons than to meet Canadian wishes. Nevertheless, as time did not apparently permit adequate consultation, it was desirable to make clear that the Canadian Government would not be able to express any views on the proposed amendments before March 15. In order to avoid misunderstanding on this point, he suggested that the appropriate New York State authorities be informed as soon as possible of the attitude of the Canadian Government.

5. In speaking with Mr. Rewinkel of the Embassy, Mr. Wershof referred to March 15 as the likely date for the conclusion of the current session of the New York Legislature, as this was the date given us by the Embassy. The Consulate General in New York has, however, informed us that the legislature may sit until March 22 and possibly later. If the session lasts until March 22 or later, it may be possible for the Government to reach a decision as to whether or not the proposed amendments are acceptable before the conclusion of the session, that is, before they are adopted by the legislature. We will study the amendments in conjunction with the Department of Finance, and will send you a further memorandum as soon as a preliminary opinion has been reached on this point at the official level.

M.H. W[ERSHOF]
for Under-Secretary of State
for External Affairs

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285. DEA/11715-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], March 21, 1956

PEACE BRIDGE

The most recent development regarding the Peace Bridge, which Mr. Wershof discussed with you yesterday by telephone, is that Mr. Harris has agreed to receive Mr. William Connelly, Chairman of the Niagara Frontier Port Authority, next Monday at 3:30. The appointment was arranged, at Connelly's request, by Mr. Houck, M.P., and subsequently Mr. Houck advised Mr. Connelly that although he understood Mr. Harris would see him, it would be preferable if an official request were made through the United States Embassy in Ottawa.

2. As you know, we had received an informal request from the Embassy last week to receive Judge Gutman, counsel to Governor Harriman, to discuss the bridge legislation. With your concurrence, we discouraged this request, and our message was passed to

Albany by the Embassy. We have now learned that, in his reply to the Embassy, Judge Gutman stated that as the new bill will likely pass both Houses before the legislature adjourns (the adjournment may take place today), he proposes not to come to Ottawa until after the Governor has decided whether or not to sign it (there is apparently a 30-day period in which he must make this decision). The Embassy is, however, informing Judge Gutman of Mr. Connelly's proposed visit, in case he wishes to be received by Mr. Harris at the same time.

3. At the meeting Mr. Wershof had yesterday with Mr. Deutsch of the Department of Finance, it was decided that the detailed information about the Peace Bridge which is available to officials is insufficient for them to be able to make recommendations to Ministers regarding the acceptability of the legislation now before the New York State Legislature.

4. It was further decided to recommend to Ministers that we should make an effort to obtain a clearer picture of the action which is considered necessary or desirable by the officials and people of Fort Erie. It was the view of the meeting that a representative of Fort Erie interests should be present at any meeting we have with United States officials, and we expect that the Department of Finance will recommend to Mr. Harris that such a representative attend his meeting with Mr. Connelly. There are two likely candidates for this job: Mr. Houck or a person nominated by the Town Council of Fort Erie. Presumably Mr. Harris will decide between these or decide to invite both.

5. It may be that Monday's meeting will provide more information on the needs and wishes of the people of the area, but it may still be advisable to have a team consisting of representatives from the Departments of External Affairs and Finance (possibly Messrs. Wershof and Deutsch) visit the town of Fort Erie at a convenient time within the next three or four weeks, to sound out local opinion.[191] As it would also be useful to have an on-the-spot report as to the appropriateness of the present Bridge Authority's rather substantial long-term program of capital improvements (which we believe to be a major factor affecting the attitude of local interested parties), it might be advisable to have a qualified engineer from the Department of Public Works accompany these officials.

6. I should be grateful to have your views on this suggestion that a small interdepartmental group of officials should visit the Fort Erie area in the near future, if this appears desirable after the meeting on Monday.

M.H. W[ERSHOF]
for Under-Secretary of State
for External Affairs

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[191] Note marginale :/Marginal Note:
Mr. Pearson: We are not pushing this idea — which may be dangerous for civil servants — but thought you should at least consider it. M.H. W[ershof]

286. DEA/11715-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

RESTRICTED [Ottawa], March 29, 1956

PEACE BRIDGE

On March 23, the New York State Senate passed a bill to amend the Niagara Frontier Port Authority Act of 1955. The text was that which we have been studying in conjunction with the Department of Finance, except that the section dealing with the Peace Bridge was deleted and replaced by a clause which expressly removed the Peace Bridge from the operational sphere of the Port Authority and returned it to the present Bridge Authority. The Legislature passed a second bill which established a temporary nine-man state commission to seek information on the future operation of the Peace Bridge, have conferences with the Canadian Government and report back to the next regular session of the State Legislature. We have been informed by Port Authority officials that it is expected Governor Harriman will veto both of these bills because they would make the Port Authority economically unsound. The passage of these bills by the legislature, however, disturbs the basis on which we have been dealing with officials of the Port Authority regarding the Peace Bridge, as it appears that the New York State Legislature is not now convinced that responsibility for the United States half of the bridge should be vested in the Port Authority. On the other hand, if we were now to tell New York State that we would prefer to deal with it on the subject instead of with the Port Authority, we would likely be informed by the Governor (who is the only government official with whom we should deal) that his veto of the new legislation makes the situation revert to its position when the 1955 Act was passed, that the 1955 Act provided for the reversionary interest in the bridge to be vested in the Port Authority and that we should therefore deal with that organization.

2. Mr. Harris received a delegation last Monday from the Port Authority and the City of Buffalo. The Mayor of Fort Erie and Mr. Houck were present. Wershof attended the meeting and was able to obtain a slightly clearer view of the plans the U.S. officials had when they drafted the now-amended legislation. Mr. Harris agreed that, subject to your concurrence and to prior consultation with local interests in Fort Erie, we should begin negotiations with officials of the Port Authority (acting through the U.S. Embassy in Ottawa) towards the framing of a draft agreement for the future operation of the bridge, which might be signed by the Canadian Government and the Port Authority if and when the State Legislature and the United States Congress pass the necessary legislation. Although, as outlined above, the right of the Port Authority to negotiate with the Canadian Government is temporarily uncertain, I recommend that you concur in the course of action agreed to by Mr. Harris.[192]

3. Regarding the suggestion Wershof had made concerning a visit by a small interdepartmental group to Fort Erie to assess local opinion and requirements, I think, in view of the

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[192] Note marginale :/Marginal Note:
Agreed [L.B. Pearson]

above developments, that this is even more important now than previously.[193] You suggested that Mr. Harris might ask his Parliamentary Assistant, Mr. Benidickson, to undertake this fact-finding tour, accompanied by officials of External Affairs, Finance and perhaps Public Works. We have asked Mr. Deutsch to pass this suggestion on to Mr. Harris. (Enclosed is a copy of Wershof's letter† to Deutsch).

M.H. W[ERSHOF]
for Under-Secretary of State
for External Affairs

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287. DEA/11715-40

Note de la Direction de l'Amérique

Memorandum by American Division

RESTRICTED [Ottawa], April 3, 1956

PEACE BRIDGE: MEETING OF MR. HARRIS WITH PORT AUTHORITY OFFICIALS

Hon. Walter Harris, assisted by Mr. W.L. Houck, M.P., and officials of the Departments of Finance and External Affairs, received several United States officials on March 26 at 3:30, and a discussion was held on the future of the Peace Bridge. Present for United States interests were Messrs. Connelly, Naples and Neider for the Niagara Frontier Port Authority; Mr. Lawless of the City of Buffalo; and Messrs. Rewinkel and Dubs of the U.S. Embassy. Also present was Mayor W.T. Guess of Fort Erie, Ontario.

2. Mr. Houck opened by explaining that the meeting had been arranged in order that Canadian and U.S. officials might exchange views on the future of the Peace Bridge prior to beginning more detailed negotiations. Mr. Connelly made a brief statement of the position of the Niagara Frontier Port Authority, stating that the Authority's interest was to obtain title to the U.S. portion of the bridge and that they wished to reach some agreement with the Canadian Government that would make this possible.

3. At Mr. Harris's request, Mr. Wershof reviewed recent developments from the Canadian point of view, and then asked whether the amending bill, which had been given to Canadian officials recently, had been passed by the New York State Senate. Mr. Lawless stated that that bill had been lost in the Senate late Friday, March 23, although it had previously been passed by the Assembly. Senator Mahoney had, however, substituted two other bills on the subject, which had passed both Assembly and Senate that day. The first of these bills established a nine-man commission of the Legislature to study the future of the Peace Bridge, to negotiate with the Canadian authorities on the subject and to report back to the Legislature by February 1, 1957. The second removed all reference to the Peace Bridge from the N.F.P.A. Act of 1955. Mr. Lawless expressed confidence that the Governor of New York would veto both these bills.

4. Mr. Lawless then reviewed the situation from the U.S. point of view, stressing that when the Niagara Frontier Port Authority was created, it was decided that a substantial revenue-producing utility must be included in its operational sphere to make the project economically sound. The Peace Bridge was ideal for this purpose, and they had forthwith legislated the bridge into the Authority's purview, on the assumption that the Canadian

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[193] Note marginale :/Marginal Note:
Agreed [L.B. Pearson]

Government would be interested in the arrangement. They had learned in February last that this was an erroneous assumption, and as a result, N.F.P.A., Buffalo and State Legislature officials had drafted "open-end" amendments to the 1955 legislation which could serve as a basis for working out an arrangement with the Canadian authorities. In answer to Mr. Wershof's query, Mr. Lawless explained that the U.S. officials had been thinking in terms of the second alternative suggestion set out in the aide-mémoire of February 3, i.e. dividing the bridge between the N.F.P.A. and the Canadian Government or its designated agency and making working arrangements for the operation of the bridge. (At this point Mr. Lawless explained the awkward situation the City of Buffalo found itself in as a result of the failure of the amending bill, as it was committed under the 1955 Act to transfer civic assets valued at about $12 million to the N.F.P.A., an organization which would not be economically sound without the Peace Bridge.)

5. Further to the question of what the U.S. officials had envisaged when they drafted the now-defeated amendments, Mr. Connelly explained they had expected that the Bridge Authority's bonds would be paid off out of accumulated surpluses and revenue before the assets were divided between the successor agencies. With regard to the projected capital improvements on the Canadian side, which were of particular interest to the town of Fort Erie, he stated that if the bonds were paid off, it would be for the successor authority on each side to decide whether to make additional capital improvements. He had no comment on the suggestion that the Bridge Authority had recently expended considerable funds on improving the U.S. side, and was only now beginning similar improvements on the Canadian side. Mr. Lawless stated, however, that the Port Authority into which, by the legislation, the present Bridge Authority would be merged, would assume any legal or moral obligation incurred by the Bridge Authority in this regard. He stated there were precedents in the United States for this operation — the merging of two authorities into one which would continue the functions of both.

6. Regarding the tax payments made by the present Bridge Authority to the town of Fort Erie, Mr. Lawless reviewed the history of the tax problem of the bridge, pointing out that although the Bridge Authority had paid about $500,000 to Fort Erie since 1933, the City of Buffalo had received no tax revenue whatever, because of a restrictive clause in the 1933 New York Legislation which created the Peace Bridge Authority. He stated that the new New York legislation would allow the bridge to pay taxes to both communities. If a tax payment were made from the bridge revenues to Fort Erie before division of profits, a similar amount should be paid to Buffalo.

7. Mr. Lawless explained that it had been decided to couch the New York legislation in general terms, rather than to legislate on specific points, because this would provide a more satisfactory basis on which to negotiate. It had been arranged that if the New York amending bill had been passed, a bill would be introduced into Congress by Senator Lehman to grant authority to the State of New York *or its agent* to negotiate with the Canadian Government regarding the future of the Peace Bridge. He cited a precedent, a sewer authority in Manitoba and one of its neighbour states, in which Congress had, because of the importance of the local interest, delegated to a state its right to negotiate with a foreign government.

8. Mr. Wershof asked whether, assuming the Canadian Government did come to some agreement with the N.F.P.A., it would be necessary to wait for the next session of the State Legislature before appropriate legislation might be passed. Mr. Lawless expressed confidence that a Special Session of the Legislature would be called this summer to deal with other matters. This might occur in June.

9. Mr. Wershof asked the Mayor of Fort Erie whether he wished to make a statement, but Mr. Guess declined, stating that his Council stood behind the brief which had been submitted to the Canadian Government on February 14, and in the absence of his counsel, he would prefer to listen rather than speak.

10. In closing the meeting, Mr. Harris stated that, subject to the concurrence of the Secretary of State for External Affairs, he saw no reason to object to the initiation of negotiations with the N.F.P.A. of an agreement which might be signed if and when the New York State Legislature and the U.S. Congress passed the required legislation, provided such negotiation did not imply a firm commitment at this time to a particular course of action. He also referred to the necessity of knowing the wishes of Fort Erie and area, and indicated to Mr. Houck and Mr. Guess that these would be given every consideration.

G.R. HARMAN

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288. DEA/11715-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures[194]

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs[194]

RESTRICTED [Ottawa], April 9, 1956

PEACE BRIDGE

On April 3, you approved my recommendation that you concur in the arrangement Mr. Harris recently made with representatives of the Niagara Frontier Port Authority and the City of Buffalo regarding the Peace Bridge. We will now inform the Department of Finance of your concurrence.

2. Additional information has, however, come to hand since Mr. Harris's meeting with the United States officials which, I believe, makes it advisable for us to add certain conditions to this expression of concurrence. It appears from newspaper reports that the legislation proposed by the N.F.P.A. was defeated by the Republican majority in the State Senate on straight party lines. The N.F.P.A. (who we assume to be Democratically inclined) has, in obtaining from Mr. Harris an undertaking to start negotiations, secured a valuable argument with which to convince the Democratic Governor (Mr. Harriman) to veto the bills which were passed by the Republican-dominated legislature, and which removed the U.S. end of the Peace Bridge from the purview of the Port Authority. The action of the State Senate was a blow to the N.F.P.A., and they are now fighting hard to retain responsibility for the U.S. end of the Peace Bridge, because without it the N.F.P.A. is not a viable project. They may well use the undertaking of Mr. Harris in arguing with their opponents that they are best fitted to look after the interests of New York State in the Peace Bridge. Thus the Canadian Government may be involved in this party dispute. This would be particularly unfortunate as the Republican leaders have insisted on proper consultations with Canada, before confirming the N.F.P.A. as the New York State agent for the Peace Bridge. Moreover, one representative Canadian local body, the Fort Erie Town Council, is strongly opposed to control of the U.S. end of the bridge by the N.F.P.A.

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[194] Note marginale :/Marginal Note:
Seen by Mr. Léger [M.H. Wershof]

3. It would be difficult now to alter the arrangement made by Mr. Harris, even if his consent were forthcoming. However, to protect the Canadian position in future, I think we should attempt to reach an understanding with the Department of Finance, that we have no particular preference for negotiating with the N.F.P.A., but will deal with whatever representatives of the State of New York are presented to us by the United States Embassy in Ottawa.

4. I should be grateful for your approval of this line of action.[195]

M.H. W[ERSHOF]

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289. DEA/11715-40

Note de la direction de l'Amérique

Memorandum by American Division

CONFIDENTIAL [Ottawa], July 24, 1956

REPORT ON VISIT OF OFFICIALS TO PEACE BRIDGE AT FORT ERIE[196]

This document has no official status. The following are the undersigned's impressions of the events and results of the visit to Fort Erie of a group led by Mr. W.M. Benidickson, Parliamentary Assistant to the Minister of Finance, and including Mr. W.L. Houck, M.P. for Niagara Falls, and representatives of the Departments of Finance, Public Works, External Affairs and National Revenue (the local Collector of Customs) on Thursday and Friday, July 19 and 20. The purpose of the visit was to sound out local opinion regarding possible changes in the administration of the Peace Bridge, which had been proposed by certain United States authorities.

2. On arrival in Fort Erie the group was met by members of the existing Bridge Authority and was escorted immediately to the Administration Buildings at the Canadian end of the bridge. After a detailed tour of the installations at both terminals, the group had luncheon and a conference with the Bridge Authority. In the evening a meeting was held with certain members of the Fort Erie Town Council and the Town Solicitor, and on Friday morning in the Council Chamber the group heard representations from other interested organizations and individuals, including the Fort Erie Chamber of Commerce, the Warden of Welland County, the Federation of Bertie Township Property Owners' Associations, the Fort Erie Rotary Club, the Ontario Trucking Association, the Association of International Border Agencies and local customs brokers. This was followed by luncheon with the Town Council, and the group departed in mid-afternoon.

3. There was marked unanimity in the opinions expressed by the various agencies making representations to the group. All were quick to endorse the work of the existing Bridge Authority and to recommend its continuance until the end of its term in 1962. When comments were made on the Niagara Frontier Port Authority, these were decidedly adverse, it being considered that the Port Authority would not maintain the efficiency of the bridge operation but instead would raise tolls and use Peace Bridge revenues for other unrelated purposes.

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[195] Note marginale :/Marginal Note:
Approved L.B. P[earson]

[196] Une annotation en marge du texte indique que ce document a été lu par M. Pearson.
A marginal notation indicates that this document was seen by Pearson.

4. As expressed by Mr. Benidickson and Mr. Houck at the beginning of each of the sessions in Fort Erie, the purpose of the visit was to listen and obtain information. The only statement which was made (and made to each of the interested groups) was that any arrangement which would change the administration of the bridge would require Canadian legislation and it would not be possible for such legislation to be introduced at this session of Parliament. As a result of this assurance given by the leader of the group, the chairman of the existing Bridge Authority indicated the Authority would begin construction of the Fort Erie marshalling yard this season. This was one part of the 1956 construction program which had been suspended since early in the year.

Existing Bridge Authority

5. It was apparent to the group that the existing Peace Bridge Authority is doing a commendable job administering the bridge. The members of the Authority appear to gain nothing from the efforts they make in this respect except the satisfaction of public service. The management of the bridge is, I think, competent and devoted to its task. Its primary aim now is to complete the program of improvements which will enable the bridge to give more satisfactory service to its users. In particular, there is a need for better truck-handling at the Canadian end, as well as greater flexibility in dealing with auto traffic which is heavier in either direction at certain times of day.

6. The Bridge Authority expressed great concern over the indefiniteness of its status following the passage of the Port Authority legislation. The position of the Bridge Authority is set out in the attached memorandum† which was prepared by Mr. Van Allen, General Counsel, and in the diagram† of the plaza at the Canadian end of the bridge, also attached. The only correction I would suggest would be in paragraphs 17 and 18, to the statement that excess revenues until January 1, 1962 would be required for the improvement program. As originally set out, the program called for an annual expenditure until 1959. When I discussed this point with the general manager, he mentioned the loss of most of this year's construction season and suggested also that traffic increases since the inception of the program would necessitate further improvements. He agreed, however, that the program if undisturbed would likely be completed in 1959 or 1960 at the latest.

7. The position of the present Authority is precarious. It was ignored and bypassed by the State Government[197] when the new Port Authority was established. If for some reason the Port Authority cannot gain control over the Peace Bridge, the Governor can still frustrate the operations of the existing Authority and eventually control them. One U.S. member died in February, 1956; the term of another has run out (the Attorney-General has ruled that he continues to sit until his successor is appointed), and the term of another will end early in 1957. By appointing his own men, as he has the power to do, the Governor can in a few years' time, control the bridge. He has presumably not done this, because by making appointments to this body he would seem to agree to its continuing in its present function. This course is, however, open to him if his intentions regarding the Port Authority are frustrated by the Canadian Government.

8. I spoke informally to the General Manager of the Bridge Authority about what he envisaged would happen, disregarding for the moment the Niagara Frontier Port Authority, after the Bridge Authority surrendered its trust in 1962. He told me he understood the idea had been to form a new entity with equal representation which would supervise the admin-

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[197] Note marginale :/Marginal Note:
Also largely by the Canadian Gov't up to July '56. T. LeM. C[arter]

istration of the bridge. He thought that auto and bus tolls could be eliminated entirely, with a reduced truck toll carrying all the administration and depreciation costs.

9. One important point which is illustrated by this thought about future operations is the conviction held by the present management, and vigorously supported by the collector of Customs, that the bridge cannot be operated efficiently by two entities. Apparently until 12 years ago there were two supervisors acting under the General Manager, each controlling the operation at one end of the bridge. This was found unworkable, and the present traffic control for the whole bridge is a centralized operation.

Fort Erie Tax Interests

10. As we knew, one of the chief interests the Town of Fort Erie has in the Peace Bridge is to ensure continuation of its tax revenues. These rise to $60,000 in 1962 by an agreement made some time ago between the Town and the Bridge Authority. Beyond that date the Town now proposes payment in lieu of taxes of 5% of gross revenue with a minimum of $60,000. As the Town also supports the general idea that tolls should be gradually reduced, it would appear it wishes to guarantee the tax-income at $60,000. This is not the place to discuss the merits of this request; it was, however, acknowledged by Town officials that under any new arrangement Buffalo should be eligible to receive an amount equal to that obtained by Fort Erie and that this would be a substantial burden for the Bridge administration to bear with reduced tolls.

Welland River Development Scheme

11. It had been anticipated that some local groups would recommend the use of the Canadian half of the Peace Bridge revenues to improve the Welland River in accordance with the brief presented to Ministers in April. This did not happen, although the representative of the Fort Erie Chamber of Commerce expressed the Chamber's approval of the plan in principle, while objecting to the use of revenues from the Peace Bridge for this purpose. No other mention was made of this scheme.

12. At the Thursday evening meeting the Town Solicitor, Mr. Tyrrill, referred to the bill then before Congress which would authorize New York State to negotiate an agreement with the Canadian Government providing for the establishment of the Port Authority and the transfer of the Peace Bridge to that body. Mr. Tyrrill thought that if this legislation were passed, the hand of the Port Authority would be strengthened vis-à-vis the existing Bridge Authority, and he suggested that representations be made through the State Department to stall action on this bill if possible. Mr. Benidickson did not agree to do this or to recommend such action, but indicated that the matter would be looked into. As the Canadian position is protected in any event, and as we had told the Embassy in Washington to comment, if asked, that the bill had been bypassed by events and was now outmoded, it would be inappropriate for Canada to make the approach which Mr. Tyrrill suggests. I understand he has renewed this suggestion in a letter to Mr. Houck, and think that the situation does not call for representations at this time.[198]

13. In sum, the visit to Fort Erie had several satisfactory results. It confirmed and added to our store of information about the bridge operation and about the opinion the local Canadians had on the subject. It also alleviated somewhat the concern of the Bridge Authority about its operations for the remainder of 1956. The show of interest by the Canadian Government also, I believe, had a beneficial effect on the local Canadians who gain

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[198] Note marginale :/Marginal Note:
I agree M.H. W[ershof]

most of their information about this subject from Buffalo sources and are therefore subject to the strong public relations efforts of the new Port Authority.

G.R. HARMAN

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290. DEA/11715-40

Le chef de la direction de l'Amérique
au deuxième secrétaire de l'ambassade des États-Unis

Head, American Division,
to Second Secretary, Embassy of United States

Ottawa, November 23, 1956

Dear Mr. Dubs,

I should like to refer to my letter of November 1,† which acknowledged yours of October 26† regarding the proposed resumption of discussions on the Peace Bridge.

Canadian officials have given further thought to this problem and have reached certain conclusions which are summarized in the attached memorandum. You may wish to pass copies of this paper to the officials of the Niagara Frontier Port Authority and the State of New York who are interested in this problem. I imagine they will wish to study the Canadian views in relation to their own plans, and I would therefore suggest that there be a meeting of Canadian and United States officials in Ottawa on Thursday, December 13. I should be grateful to learn from you whether that date would be acceptable to the interested United States authorities.[199]

Yours sincerely,
T. LEM. CARTER

[PIÈCE JOINTE/ENCLOSURE]

Note de la direction de l'Amérique

Memorandum by American Division

CONFIDENTIAL Ottawa, November 23, 1956

In a memorandum given to the United States Embassy on February 3, 1956, the Government of Canada indicated with respect to proposals for the future operation and management of the Peace Bridge set out in Chapter 870 of the Laws of the State of New York 1955, that it was "unable to agree to appoint the Niagara Frontier Port Authority as its Agency or Instrumentality to manage and operate the portion of the Peace Bridge and its related facilities situated within the territorial limits of Canada". The Government of Canada did, however, indicate at that time that, notwithstanding its satisfaction with the present arrangement, it was prepared in a spirit of co-operation to enter into other suitable arrangements for a limited number of years.

Since that time much thought has been given to the kind of arrangement which would be in keeping with the international character of the bridge as well as its importance as an economic artery between Canada and the United States. Within the framework of the memorandum of February 3, 1956, Canadian officials have developed a more specific proposal for the future operation of the bridge which, it is believed, will satisfy the legitimate interests of both countries.

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[199] Note marginale :/Marginal Note:
Cleared by phone with Mr. Wershof. [J.H. Cleveland]

The proposal, which it is desired should be discussed at the forthcoming meeting of Canadian and United States officials, is based on the following principles:

(1) The control and management of the bridge should be vested in an international commission composed of equal representation from Canada and the United States with the chairmanship alternating between Canada and the United States from within this membership;

(2) The control and operation of the bridge should be kept separate from any other Canadian or United States interest;

(3) The first charge on all revenues of the bridge must be the normal operating costs, the amount required annually for normal maintenance of the structure and its auxiliary buildings on both approaches, and the annual cost of such capital works as are required from time to time to accommodate the traffic seeking to use the facility.

It is the opinion of Canadian officials that excess or net revenue, after the charges referred to in (3) above have been met, should be divided equally as between the two countries, to be paid to agencies designated by the appropriate legislative bodies.

With regard to the hope expressed by the Embassy that agreement might be reached before the convening of the New York State Legislature in January 1957, Canadian officials consider it unwise at this stage to impose any limit on the time to be taken in considering the various aspects of this question, but will of course pursue the matter as expeditiously as possible.

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291. DEA/11715-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 4, 1957

PEACE BRIDGE

As I informed you in my memorandum of November 28,† we had agreed to meet with officials of the State of New York and the Niagara Frontier Port Authority to discuss the future control and operation of the Peace Bridge. The meeting was held here on December 13 and can, I believe, be considered a successful encounter.

2. The Canadian officials presented, as planned, a proposal for vesting the control of the bridge in a new international entity, with equal Canadian and New York State representation. Although the U.S. representatives were at first reluctant to accept the principle involved, i.e. the separation of control of the bridge from the operations of the Port of Buffalo, they eventually agreed to the establishment of a "Management Board" which would run the bridge. The Canadian group made it clear that there is no Canadian objection to the payment to the Port Authority of the U.S. share of the profits of this independent operation. Significantly, the U.S. officials also agreed that in normal circumstances the tolls on the bridge should *not* be raised. (Mr. Harris has expressed the view that tolls

should not be raised.) With these principles accepted, the two sides agreed to prepare first drafts of legislation, which will be discussed at a further meeting in Albany on January 16.

3. On being informed of the results of the December 13 meeting, Mr. Harris instructed his officials to prepare a memorandum to Cabinet describing the problem briefly and seeking authority for the introduction of the necessary legislation at the forthcoming session of Parliament. A copy of the draft memorandum to Cabinet is attached. I should be grateful for your approval of it.

4. There is another question which is now being considered by Mr. Harris in consultation with Mr. William Houck, M.P., which concerns the possible composition of the Canadian half of the proposed "Management Board". It is in our interest that the U.S. half should not consist entirely of members of the Niagara Frontier Port Authority, and if we can give an indication that the Canadian representation will be rather more broadly based, this may have a useful effect on the U.S. side. We have therefore concurred in the Finance Department's recommendation to Mr. Harris that the Board include at least one representative of the Federal interest in Canada, possibly as Chairman of the Canadian side.

5. The question of the form of the arrangement or agreement with New York State is somewhat difficult. It is now under study in the Department, and I hope to send you a further memorandum on it in a day or two.

J. L[ÉGER]

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292. PCO

Note du secrétaire d'État aux Affaires extérieures
et du ministre des Finances
pour le Cabinet

Memorandum from Secretary of State for External Affairs
and Minister of Finance
to Cabinet

CABINET DOCUMENT NO. 6-57 Ottawa, January 7, 1957

PEACE BRIDGE

The undersigned have the honour to report that following the last Cabinet consideration of the future of the abovenoted bridge, an aide mémoire setting out the position of the Government of Canada was communicated to the United States Embassy on February 3, 1956; a group, headed by the Parliamentary Assistant to the Minister of Finance, visited Fort Erie and secured the views of interested groups as they pertained to the problem and, on December 13, Canadian officials met with officials of the State of New York and the Niagara Frontier Port Authority in Ottawa.

The latter meeting was at the request of the United States, through the Embassy in Ottawa. Prior to the meeting the Embassy was furnished with a memorandum reaffirming the Canadian position and outlining in somewhat greater detail the Canadian viewpoint on the nature of future arrangements for the management and operation of the bridge which would take into account its international character and importance as an economic artery between the two countries.

As a result of this latter meeting and of the previous discussions the United States authorities concerned are now prepared to consider new and separate legislation to provide for the future management and operation of the Peace Bridge on the following terms:

(1) The Bridge to be operated by a board of management which shall have full powers to operate it as an entity separate from any other United States or Canadian interest. The board of management should have much the same powers as the present Buffalo and Fort Erie Public Bridge Authority, which it will succeed.

(2) Canada and the United States to have equal representation (the present Authority has nine members of which three are Canadian).

(3) The Bridge to be operated for profit as a toll bridge, for a substantial but limited period. It was agreed that in normal circumstances the level of tolls should not be raised above that now obtaining.

(4) All normal operating costs, maintenance charges, the annual cost of any capital improvements necessary and/or any reserve for future expansion to be the first charge against all revenues.

(5) The net revenues, after the foregoing charges have been met, to be divided equally between Canada and the United States. The United States portion, in keeping with the intent of their existing legislation, will be paid to the Niagara Frontier Port Authority. The Canadian portion will be paid into the Consolidated Revenue Fund. The payees of the respective portions, it was understood, would be matters for domestic decision in each country, as would be the appointees to the membership of the board from each side.

Canadian and United States legislation is required to rescind the legislation which created the existing Authority. The question of whether any additional formal agreement is also required is being examined in the Departments of External Affairs and Justice. It appears undesirable for the Canadian Government to make any agreement with New York State beyond that expressed in reciprocal legislation but it might be advantageous to have the new régime on the Peace Bridge covered by a formal agreement with the United States Government acting on behalf of the State of New York.

The United States side attach considerable importance to the matter of timing as they are anxious to proceed with plans of the Niagara Frontier Port Authority, which are dependent on the revenues the latter will obtain from the operation of the Peace Bridge. They are bound by a fairly rigid schedule of the New York State Legislature and must be prepared to introduce a bill in final form by March 1, 1957, if it is to receive approval in 1957. It is considered to be in the Canadian interest to cooperate in so far as it is possible to meet this timing.

The undersigned consider that any arrangement for the future operation and management of the Peace Bridge, embodying the above principles, will be in the Canadian interest. They, accordingly, recommend that Cabinet give approval to the following:

(1) Further discussions with responsible officials in the State of New York on the requirements of mutually acceptable draft legislation and possible agreement.

(2) The drafting of such legislation and possible agreement.

(3) The introduction of legislation, after approval by Cabinet, at the forthcoming session of Parliament.[200]

L.B. PEARSON
W.E. HARRIS

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[200] Ces recommandations ont été approuvées par le Cabinet le 10 janvier 1957.
These recommendations were approved by Cabinet on January 10, 1957.

293. DEA/11715-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 8, 1957

PEACE BRIDGE: FORM OF AGREEMENT WITH NEW YORK STATE

I should like to seek your approval for the proposed form for the agreement with New York State on the future régime of the Peace Bridge.

2. The company which built the Peace Bridge between Buffalo and Fort Erie was set up by an act of the New York legislature of 1922, an act of the Canadian Parliament of 1923, and an act of the United States Congress of 1924. The New York State and Canadian acts set up two separate companies with the same name and with the authority to amalgamate, and the amalgamation duly took place and was approved in Canada by an Order-in-Council. The present Buffalo and Fort Erie Public Bridge Authority was established to succeed the original company because of the necessity for a financial reorganization. The Authority was created by a New York State act of 1933, and Canadian legislation of 1934 permitted the Authority to function in Canada and provided for the appointment of three residents of Canada to the board by the Governor General in Council.

3. What we are now seeking to do by negotiation with New York State representatives differs in two respects from what was done in 1933 and 1934 when the Authority was established. The Authority is called a public benefit corporation and the members of the board are appointed by governments, but it is privately financed and the result of private initiative. Hence it is a mixture between a public and a private body. The new management board for the Bridge would be a wholly public body. Secondly, the existing Authority was created by New York State legislation and then Canadian legislation was passed permitting it to function in Canada. Our intention is that the new management board would not come into being until the appropriate legislation had been passed by the New York State legislature, Congress and the Canadian Parliament, and that accordingly the New York legislation, which would be the first to be passed, would not have effect until Parliament and Congress had acted. It is the view of our legal officers that a management board with the powers and functions described in the memorandum to Cabinet which has been submitted to you could be created by reciprocal legislation of this character.

4. Because of the differences described above, the proposed arrangement would be more like an agreement between New York State and Canada than the 1933/34 legislation. Moreover, in recent years there has been a certain amount of difficulty about adherence by Canadian provinces to "compacts" made between American states. The United States Constitution provides that no American state can make a compact for instance with Canada or with a Canadian province, without congressional approval. In the present case a joint resolution of Congress was passed in 1956 consenting to a compact or agreement between the State of New York and Canada providing for the Niagara Frontier Port Authority to take over the Peace Bridge (the arrangement envisaged in the 1955 New York State legislation). It is assumed that if and when the New York State legislature passes an act providing for the creation of a management board for the Bridge, Congress will pass a similar resolution authorizing the new arrangement. The Canadian Government has similarly tended to oppose on constitutional grounds the entry of provinces into compacts with American

states. It might be that an agreement between Canada and New York State, expressed merely in concurrent legislation, could be cited as a precedent by a province seeking to enter into a compact with an American state in the future. Accordingly it seems desirable that the agreement between Canada and New York State should be covered by an exchange of notes between Canada and the United States.

5. Such an exchange of notes would also be useful in that it would involve the United States Government to some extent in the new arrangement for the Peace Bridge. We may have difficulties with New York State in the future and it would be advantageous to us in such an event to be able to appeal to the United States Government. This point will be obvious to the State Department and therefore it is unlikely it would agree to an exchange of notes containing much of substance. Nevertheless, an exchange of notes would record the agreement expressed in reciprocal legislation and would at least show that the two Governments had been in agreement on the procedure adopted. It might even be possible to get the general character of the new régime on the Peace Bridge set out in the notes.

6. I accordingly propose that the new régime on the Peace Bridge should be expressed in reciprocal legislation of the New York State legislature (confirmed by a joint resolution of Congress) and the Canadian Parliament, and that we should propose that after the legislation is passed, an exchange of notes take place with the United States Government which would at least indicate agreement between the two Governments on the procedure adopted. If you approve, therefore, our representatives in the discussions with New York State on January 16 will indicate that this is the form of agreement which the Canadian Government would like. I would also propose to inform the United States Embassy now of our views on this matter.[201]

J. L[ÉGER]

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294. DEA/11715-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État par intérim aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Acting Secretary of State for External Affairs

CONFIDENTIAL Ottawa, January 22, 1957

PEACE BRIDGE

You may recall that at its meeting on January 10 the Cabinet authorized further negotiations with New York State on the future of the Peace Bridge between Buffalo and Fort Erie, Ontario. A copy of the memorandum to Cabinet is attached. A meeting took place in Albany on January 16. A number of New York State officials headed by Judge Gutman, Counsel to the Governor, and representatives of the Niagara Frontier Port Authority of Buffalo, and a representative of the United States State Department took part. Officials of the Departments of Finance, of Public Works, and of this department represented Canada.

2. It was agreed at the outset of the meeting to maintain in being the existing Buffalo and Fort Erie Public Bridge Authority rather than to create a new international authority to run the bridge. Amendments to the New York State legislation of 1933 and the Canadian legis-

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[201] Note marginale :/Marginal Note:
OK L.B. P[earson]

lation of 1934, which set up the present Authority, would be drafted. They would provide that the winding up of the Authority and the reversion of the two ends of the Bridge to New York State and Canada respectively should be deferred for about thirty years, and that the character and operations of the Authority would be altered to provide equal representation for Canada and the establishment and distribution of net revenues. This decision makes the task of drafting the amendments much simpler. It is also satisfactory to us as the Authority has functioned well and has a good reputation in Canada.

3. It had previously been agreed by the Canadian Government that the bridge should be operated as a profit-making toll bridge for about thirty years and that the net revenues from the bridge should be paid to New York State and Canada or to payees appointed by them. The New York State representatives at Albany confirmed that their payee would be shown in legislation as the Niagara Frontier Port Authority, and that the NFPA would also be shown as the ultimate legatee of the bridge if, at any time in the future, the two halves of the bridge should revert to Canada and New York State. This legislation would, however, be separate from the amendments to the act setting up the Bridge Authority. The NFPA representatives made clear that they intended to use their expectation of net revenue from the bridge and their position as ultimate legatee for the United States half of the bridge as security for a bond issue for developing the port of Buffalo. One of the principal NFPA spokesman was, in fact, a bond counsel and it was obvious that if the arrangements would satisfy the potential underwriters of the bond issue they would satisfy the NFPA.

4. At earlier meetings it had been agreed that each side should have four members of the reconstituted Authority. The Canadian side said that the Canadian members would be appointed as in the past by the Governor General in Council, and that they would represent in a general way the national, regional, and local interest in the efficient operation of the bridge. Although acknowledging that the manner of appointment of the United States members was a matter which did not formally concern Canada, the Canadian representatives made clear that if the United States members of the Authority were all from the NFPA this would make it more difficult for us to get the legislation through, and would not make for the harmonious operation of the bridge in the future. It was emphasized that there was a possible conflict of interest between the bridge and the port of Buffalo concerning the disposition of bridge revenues. After some discussion, the New York representatives agreed that their members of the reconstituted Bridge Authority should be two New York State officials and two NFPA representatives.

5. The New York representatives were, of course, very anxious to safeguard as far as possible the flow of their share of the net revenue to the NFPA. The meeting, therefore, examined the various factors which could influence the size of the net revenue. The first of these is the amount of the toll. The character of the membership and the requirement that any increase in tolls should be approved by the Canadian Board of Railway Commissioners are effective safeguards against an unreasonable toll increase. The New York side did not dispute the general Canadian contention that if traffic and revenue continued to show the general recent upward trend there would be no case for a toll increase. The NFPA representatives were, however, concerned that as they would only have two out of eight members of the Authority, the Authority might decide to reduce tolls in future contrary to NFPA interests. Such a reduction might even be motivated by hostility to the NFPA. The New York side therefore proposed that the amendments to the legislation should include a proviso that tolls be not reduced if the reduction would make the net revenue less than a certain percentage of the gross revenue. The percentage would be something like 40 or 50%, and the calculation would presumably be made on the figures of the most recent

fiscal year. Although such a clause would be unusual, if it could be suitably drafted it would appear reasonable for us to give this guarantee.

6. Operation, maintenance, and repair expenses would, of course, be deducted from gross revenue. In order to protect the net revenue the New York representatives were anxious to limit future expenditures for new facilities, major operations or improvements, and for other capital purposes. It was agreed, however, that the Bridge Authority should have a reserve fund for all such expenditures and for interest on any bonds issued for capital purposes. The reserve fund would be nourished by annual payments of a given percentage of the gross revenue (the percentage between 7% and 15%, to be agreed) and it would have a ceiling. Meanwhile it was agreed that the present expansion programme of the Authority, including project (b) for which contracts have not yet been let, will be completed, but that the Authority would be discouraged from making any new commitments for expansion before it is reconstituted.

7. In recent years the Authority has paid a grant in lieu of local taxes to Fort Erie, but under the New York legislation it is exempt from local taxes in the United States. The New York side pointed out that Buffalo had lost by this arrangement a good deal of tax revenue, and that the Authority should either pay local taxes in both countries or pay none. For a few minutes the discussion wandered into the boulder-strewn ground of municipal assessments of public utilities, a very unfavourable ground to Canada, as it is clear that the Buffalo land owned by the Authority is much more valuable than the Fort Erie land. If it were provided that the Authority pay municipal taxes on both sides there would be a constant argument in future for raising the assessment on the Buffalo side. It was, however, agreed that if the Canadian legislation can be so amended, the Authority will be made exempt from local taxes in Canada, and it would be further provided that any grants in lieu of local taxes would be charges upon the net revenue. Thus the principle of equal division of the net revenue would be maintained, and the Canadian Government would pay Fort Erie a grant like the present one, while the NFPA would look after any Buffalo tax claims. The Department of Finance will see if this arrangement, which protects our interests very well, is feasible.

8. It is the opinion of the Canadian officials who went to Albany that the Canadian Government should join in amending the legislation to give effect to the arrangements outlined above, subject to agreement on the text, as these arrangements are favourable to Canada. The New York representatives at Albany showed an accommodating attitude in agreeing to having a separate authority for the bridge, and on the question of New York appointments to the reconstituted Bridge Authority. The proposals they have made to safeguard the flow of net revenue to the NFPA are reasonable in the light of all the circumstances, and can be so worded as not to be injurious to Canadian interests. The next stage is the preparation of amendments to the legislation on each side, and the exchange of texts. If agreement is reached on the texts, it should be possible to get the legislation passed in the current sessions of Parliament and of the New York State Legislature, as envisaged in the Cabinet decision of January 10.[202]

J. L[ÉGER]

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[202] Note marginale /Marginal Note:

Ask Jules what he wishes me to do now? [Paul Martin]

295. DEA/11715-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], March 11, 1957

PEACE BRIDGE

In a memorandum of January 22, of which a copy is attached, I reported on the discussions in Albany on January 16 about the future of the Peace Bridge. Since then we have received from the New York State representatives a draft of amendments to the New York State legislation providing for modifications in the present régime of the Bridge.

2. The following are the chief amendments contained in the draft revision of the New York State legislation which are acceptable to Canada.

(a) The existing Buffalo and Fort Erie Public Bridge Authority is to continue until 1990. (Requested by the United States — agreed).

(b) Instead of six American and three Canadian members as at present, the Authority is to have five from each country. Of the American members a minimum of one and a maximum of three are to be representatives of the Niagara Frontier Port Authority. (Canada requested equal representation and also requested that United States members would not be drawn solely from the N.F.P.A. — agreed).

(c) The Bridge is to continue to produce revenue for non-bridge purposes until 1990. (Requested by the United States but limited in time by Canada — agreed).

(d) Net revenue is to be divided equally. (Requested by Canada — agreed).

(e) Net revenue to be a guaranteed amount. (Requested by the United States — agreed).

(f) A reserve to be set aside for future capital expenditure. (Requested by Canada — agreed).

(g) Bridge Authority to retain authority to issue bonds. (United States request — agreed). Finance have assured us that the Canadian Government has veto on issue of new bonds under Section 15 of the legislation.

(h) The equivalent of the amount paid to Fort Erie in lieu of taxes to be paid to the city of Buffalo. (Requested by the United States — agreed).

3. There were some unacceptable features in the proposed amendments which were not part of any verbal agreements reached at Albany, New York on January 16, 1957. The following represents the main conditions which were not acceptable to Canada and the alternative proposals made by the Department of Finance.

(a) That one half the membership of the Board should constitute a quorum and a majority in certain circumstances. Our proposal is that a simple majority of the Board shall constitute a quorum and a majority for the conduct of any business.

(b) That if an application for an increase in rates is made by the Board and refused by the competent authorities in either country, the loss in profit would be made up by that country e.g., if the Canadian Board of Transport Commissioners refused an application of the Bridge Authority to increase rates, then the United States share of guaranteed profit would be brought up to the basic level by a payment from the Canadian share. Such an arrangement would, we believe, seriously prejudice the position of the Board of Transport Commissioners.

(c) That the guaranteed basic net revenue should be a specified percentage. Basing our figures on the net revenues of the past six years, we have suggested an annual amount of $400,000. This provides $200,000 each to Canada and the United States to which, of course, would be added any further amount not required for the capital reserve or operating funds. It was the view of the Department of Finance that the amount chosen should satisfy the requirements of the Niagara Frontier Port Authority but be at such a level that the Bridge Authority would not be compelled to make an application for toll increases within the next few years.

(d) That there should be a mandatory increase in tolls subject to the approval of the appropriate authority in each country when the net revenue falls below the guaranteed amount. An alternative suggestion by Canada is that the Bridge Authority should apply to the appropriate authorities for an adjustment of tolls when necessary.

4. The foregoing proposed amendments which are chiefly connected with financial arrangements have, I am informed, received the concurrence of the Minister of Finance and were subsequently discussed with this Department before being forwarded to the New York officials.

5. The New York State amendments were received late and consequently it may be difficult for the legislation to be passed by the New York State Legislature and by the Canadian Parliament at the current session. The officials of the Department of Finance are of the opinion that it still might be possible to get our legislation passed at the current session by providing for one or two amendments to the present Canadian Act with a reference to the amendments in the New York State Act contained in the preamble or by annexing the New York State Act to the Canadian Bill.

J. L[ÉGER]

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296. DEA/11715-40

Note de la direction de l'Amérique

Memorandum by American Division

RESTRICTED [Ottawa], May 16, 1957

Mr. Cleveland:

PEACE BRIDGE

As you know, the appropriate legislation on the Peace Bridge has been passed by the State of New York and that reciprocal legislation is now before the Canadian Parliament. We know that the Canadian legislation has passed the Senate and that it was introduced for first reading in the House of Commons just prior to dissolution. It is expected that the House of Commons will act upon this legislation at the next session which may possibly be this autumn. Having regard to the need to bringing this matter on to the appropriate Government level it would seem advisable to have an exchange of notes between Canada and the U.S. instead of a loose agreement between the State of New York and the Government of Canada. I brought this to the attention of our Treaty Section and suggested that when the New York legislation was passed, a copy of the Act might be transmitted by the State Department for onward transmission to us under a formal note. The U.S. note could then request that we forward to them a note enclosing our own legislation on the Peace Bridge when it has received the approval of Parliament. Treaty Section in reply stated that there would be no legal objection to the course suggested. It was suggested, however, that for the notes to become an agreement the terms of the legislation would have to be accepted. I presume that Treaty Section means that the notes should be more than just a reference to the legislation but should state that each country accepts the provisions. This is something I think that might be worked out if the State Department is agreeable to the general principle.

You will recall that this suggestion was taken up with Mr. George Vest when he was here in Ottawa for the diplomatic talks on waters crossing the boundary and that he agreed that this exchange of notes might be useful. In these circumstances if you have an opportunity you might ask the State Department officials when you are in Washington next week if they would wish to initiate the exchange by sending us the New York legislation under a formal note.

A.F. BROADBRIDGE

7ᵉ PARTIE/PART 7

VOIES INTERLACUSTRES DES GRANDS LACS
GREAT LAKES CONNECTING CHANNELS

297. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 71-56 Ottawa, March 16, 1956

RESTRICTED

ST. CLAIR RIVER — PROPOSED CUT-OFF CHANNEL

The United States Embassy, in Note No. 235 of May 19, 1955, requested the views of the Canadian Government on a proposal submitted by the United States Army Corps of Engineers for improving the St. Clair River Channel. This is part of a larger programme for the widening and deepening of all the Great Lakes connecting channels by the Government of the United States. The improvement of the St. Clair Channel might be accomplished in one of two ways: (a) widening and deepening the existing channel at Southeast Bend or (b) constructing a cut-off channel through the marshy area on the Canadian side of the St. Clair River. It is considered by the United States Government that one of the two mentioned alternatives is essential to the growing needs of navigation and commerce. Recommendations have been made to the United States Congress by the United States Army Corps of Engineers in support of a new cut-off channel. Whether this alternative will be acceptable to the United States Government depends upon consideration of the economic advantages to be gained, and the conditions which the Canadian Government will impose for the granting of permission to construct the cut through Canadian territory.

2. An interdepartmental committee has given consideration to the plans outlined in the United States Embassy Note and is of the opinion that it is in Canada's interests to have

the channel improved. Since the proposed cut-off channel would eliminate the sharp reverse curve which is combined with a relatively narrow channel for two-way traffic through the bend, it is believed that this project would be preferable to widening and deepening the existing channel. For this reason, and because the new channel would be almost entirely in Canadian territory (as opposed to previous dredging which straddled the International Boundary) and therefore involve conditions for which there is no precedent, it is proposed that the Canadian reply to the United States Embassy Note should concern itself specifically with this one project. Should the Canadian conditions be unacceptable to the Government of the United States, or should the project for a cut-off channel be considered uneconomic for other reasons and therefore abandoned, then consideration could be given by the Canadian Government, if requested, to the widening and deepening of the existing channel.

3. In the past, though conditions are not the same now, the United States Government has traditionally assumed responsibility for the cost of improving the Upper Great Lakes connecting channels. Accordingly, in 1955, Congress was asked to authorize the entire programme of Great Lakes channel improvements, of which the St. Clair River project is a part. The bill was passed by the House of Representatives August 1, 1955, but did not receive the approval of the Senate until March 9, 1956. The bill has now been submitted for the approval of the President.

4. The United States Army Corps of Engineers estimates that the construction of the new cut would cost approximately $5,491,000 more than widening and deepening the existing channel. The annual cost of dredging maintenance would be approximately $40,000. The principal local interests in Canada which would be affected by the construction of the new channel are the Indians of the Walpole Island reservation and the St. Clair Shooting Club, which has acquired a lease from the Indians in this area for duck shooting. The cost of compensation to the local interests in Canada would probably not exceed $200,000, since this figure has been mentioned by the Walpole Island Indian Band Council as the amount the Indians should receive. In addition, some disturbances may be created to the migratory birds which have historically used this area for breeding and feeding grounds and to certain species of fish which are to be found in these waters.

5. As the new cut would be almost entirely in Canadian territory, various alternative arrangements might be made with the United States:

(a) The Canadian Government could construct the new cut and pay the entire cost of the project, *or,*

(b) while retaining sovereignty over the territory, the Canadian Government could authorize the United States Government to construct the cut, maintain it and pay compensation to any local interests affected, *or,*

(c) while retaining sovereignty over the territory, the Canadian Government could authorize the United States Government to construct the cut, with Canada assuming responsibility for the payment of compensation to local interests in Canada, and for maintenance of the channel.

The Canadian Government might request, particularly under arrangement (c), that Canadian contractors be given an equal opportunity to bid on all or part of the project and that Canadian labour might, where practicable, be employed.

6. In reaching a decision on which alternative arrangement would be most appropriate, the following considerations might be taken into account:

(a) The United States has traditionally assumed responsibility for any improvements in the Upper Great Lakes connecting channels. Canada, for its part, built, maintains and operates the Welland Canal and has undertaken the dredging of the St. Lawrence River below Montreal. Accordingly, it would not appear to be necessary for Canada to assume heavy capital expenditures in the Upper Great Lakes connecting channels;

(b) Experience with United States defence projects in Canada shows that difficulties arise when the United States Government constructs works on Canadian territory;

(c) It is not desirable that the United States should acquire, or even appear to acquire, proprietary rights on Canadian territory as a result of the constructions, maintenance or operation of a project of this nature;

(d) Since the proposed channel would be almost entirely in Canadian territory, opportunity should be given to Canadian contractors to bid on the project and to Canadian workmen to obtain employment. This is the arrangement in effect for defence projects which the United States has desired to be constructed in Canada;

(e) If the United States Government constructs the channel, appropriate conditions should be laid down to protect Canadian interests, both private and public.

7. If our reply to the United States Embassy is based on the arrangement set out in paragraph 5(c), authorizing the United States Government to construct this channel in Canadian territory, the following basic conditions might be included in the Canadian reply to the United States Embassy Note No. 235:

(a) That the final plans for the construction of the channel, including plans for spoil disposal areas and such revetment works as may be necessary to ensure reasonable permanence of the banks of the channel, shall be approved by the Canadian Government;

(b) That dredging and excavations and the deposit of dredged and excavated materials shall not be carried out on Canadian territory until such time as the Canadian Government has made arrangements for the entry of personnel and equipment;

(c) That the United States shall accept the responsibility for safeguarding the interests of navigation and riparian owners during the progress of the work, and the cost of remedial works and compensation if the interests of navigation or riparian owners are affected during the construction of the channel;

(d) That the works to be carried out in Canadian territory shall be without prejudice to the sovereign rights of Canada;

(e) That Canadian contractors shall be given an equal opportunity with United States contractors to bid on all or part of the work and that Canadian workers shall be given employment in so far as those of necessary qualifications are available;

(f) That the appropriate customs procedures to be followed concerning dredging equipment and consumable items will be drawn up when the general conditions of contracting and employment have been agreed upon by the Governments of Canada and the United States.

Recommendation:

The Secretary of State for External Affairs, with the concurrence of the Minister of Public Works and the Minister of Citizenship and Immigration, recommends:

(a) That the United States Government be authorized to construct the proposed cut-off channel in Canadian territory under the conditions set out above;

(b) That Canada should pay for compensation to local interests in Canada and assume responsibility for maintenance and administration of the channel.

L.B. PEARSON

298. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], April 5, 1956

Present:

The Minister of Trade and Commerce, Minister of Defence Production and Acting Prime Minister (Mr. Howe) in the Chair,
The Minister of National Revenue (Dr. McCann),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Finance (Mr. Harris),
The Minister of National Defence (Mr. Campney),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Registrar of the Cabinet (Mr. Halliday),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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ST. CLAIR RIVER; PROPOSED CUT-OFF CHANNEL

13. *The Secretary of State for External Affairs* referred to his earlier memorandum on the proposed cut-off channel for improving the St. Clair River, and said he had spoken to the Prime Minister about it recently over the telephone. Mr. St. Laurent wished to look more closely at the proposal before a decision was taken on it.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 16, 1956 — Cab. Doc. 71-56).

14. *During the course of discussion* it was indicated:

(a) There was a tacit understanding with the United States that, just as Canada created and maintained the Welland Canal and the channels in the St. Lawrence, the U.S. constructed and maintained the channels in the upper Great Lakes. On this basis, the proposed cut-off might perhaps be built by Canada at the cost of the U.S. On the other hand, it was unlikely that the U.S. government could get approval from Congress for such action and, in any case, it was doubtful if Canada had the proper equipment available. The normal pattern should be followed by which Canada retained title to the property even though the U.S. did the actual excavation work.

(b) It might be an undesirable precedent for Canada to do this work, as the U.S. might then expect the Canadian government to undertake all dredging on the Canadian side of the international boundary. This could develop into a large and very expensive operation.

(c) The U.S. might not wish to undertake construction of the proposed cut-off, because it preferred to have the channel more convenient to the American shore.

(d) It would be desirable to check on all the costs of the proposal, including construction. The cost of compensation to the local interests involved, principally Indians of the Walpole Island reservation, would be in the neighbourhood of $200,000. The Indian band had already approved that figure. Expropriation, if needed, would be justified at such a price. There did not appear to be any problem about immigration regulations.

15. *The Cabinet* noted the remarks of the Secretary of State for External Affairs and deferred decision on the proposed St. Clair River cut-off until the Prime Minister was present.

. . .

299. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], April 26, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Mr. McCann),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters) (for morning meeting only),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham) (for morning meeting only),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald) (for morning meeting only),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard)
The Assistant Secretary to the Cabinet (Mr. Martin),
The Registrar of the Cabinet (Mr. Halliday).

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ST. CLAIR RIVER; PROPOSED CUT-OFF CHANNEL
(PREVIOUS REFERENCE MARCH 22)

25. *The Secretary of State for External Affairs* reported that one of the basic conditions governing improvement of the St. Clair river cut-off channel which might be included in reply to the U.S. Embassy request for views, had been modified to require the United States to be responsible for all compensation to interests injured during the construction (not including the original compensation to the Indian band) and for any interests on the U.S. side in perpetuity after the channel was completed. He doubted, however, if the U.S. would accept this and do the work on our side. Canada's legal position and her sovereign position were adequately safeguarded if the U.S. were to build the channel as proposed.

26. *During the discussion* the following points emerged:

(a) There was no doubt of the value of the channel for navigation purposes but everything northwest of it would be inaccessible from the Canadian side. It was pointed out in reply that this area was inaccessible now and nobody lived there. The main interests affected seemed to be some wealthy duck hunters and a number of fishermen.

(b) The new channel would be a great help to the seaway and the money received by the Indians would be put to good use to improve the remainder of the Walpole Island reserve.

(c) Before reaching a decision the implications of the proposal should be discussed with representatives of the area.

27. *The Cabinet* deferred decision on the proposed St. Clair River cut-off channel pending consideration of its implications by Mr. Martin.

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300. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], May 3, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare
  and Acting Secretary of State for External Affairs (Mr. Martin),
The Minister of National Revenue (Mr. McCann),
The Minister of Labour (Mr. Gregg),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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ST. CLAIR RIVER; PROPOSED CUT-OFF CHANNEL
(PREVIOUS REFERENCE APRIL 26)

14. *Mr. Martin* said he was now satisfied that it was desirable to proceed with the proposed cut-off channel under the revised conditions which had been suggested.

15. *During the discussion* it was suggested that the Indians might seek higher compensation than $200,000. On the other hand, they appeared to be satisfied with the arrangements and it was doubtful if, in fact, they would ask for more.

16. *The Cabinet* approved the recommendation of the Secretary of State for External Affairs, concurred in by the Ministers of Public Works and Citizenship and Immigration, for improving the St. Clair River Channel, and agreed:

(a) that the United States be authorized to construct the proposed cut-off channel in Canadian territory in accordance with the conditions submitted, as amended to ensure that the U.S. would be responsible not only for all compensation to interests on both sides of the boundary which were injured during construction (excluding the original compensation paid to the Indian band), but also for compensation on the U.S. side in perpetuity after the channel was completed;

(b) that Canada pay for compensation to the Walpole Island Indian Band for their interests in the land, and assume responsibility for compensating any interests in Canada for damage or loss suffered after the project was completed; and,

(c) that Canada be responsible for the maintenance and administration of the channel.

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301. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], August 10, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare
  and Acting Secretary of State for External Affairs (Mr. Martin),
The Minister of National Revenue (Mr. McCann),
The Minister of Labour (Mr. Gregg),
The Minister of Justice (Mr. Garson),
The Minister of Finance (Mr. Harris),
The Minister of Fisheries and Acting Minister of Public Works (Mr. Sinclair),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

DETROIT RIVER; U.S. REQUEST FOR DREDGING

13. *Mr. Martin, as Acting Secretary of State for External Affairs*, said the United States government had asked permission to undertake, in 1956, navigation improvements in the Canadian waters of the Detroit River. It was proposed to dredge existing channels and to build compensating dykes in order to provide the increased channel dimensions which had become necessary as a result of the growing needs of commerce. Although the dredging programme for 1956-57 was estimated to cost only $5 million, it was part of an overall project designed to improve the Great Lakes connecting channels and bring these shipping lanes up to the same standard as the St. Lawrence Seaway. The whole project was expected to cost $150 million. Although the U.S. were under no obligation to undertake those works, they had traditionally assumed that responsibility. Having regard to Canada's contribution in the channels at and below Montreal, the International Rapids section, and the Welland Canal, this arrangement seemed reasonable.

It was recommended that approval be given to the present proposal subject to the following conditions:

(a) The final plans for construction of the channel, including plans for spoil disposal areas and for the construction of the compensating dykes, would be approved by the Canadian government.

(b) Drilling, excavations, deposit of dredged and excavated materials, and construction of compensating dykes were not to be carried out in Canadian territory by any agencies or contractors until the Canadian government had made arrangements for the admission of personnel and equipment.

(c) The U.S. would accept the responsibility for safeguarding any interests, including navigation interests and the interests of riparian owners, against any harmful effects from the improvement of the existing channels; and for the cost of all remedial works in connection therewith; and for compensation to any such interests suffering any damage or loss resulting from such work.

(d) The works to be carried out in Canadian territory would be without prejudice to the sovereign rights of Canada.

(e) Canadian contractors would be given an equal opportunity with U.S. contractors to bid on that portion of the work which lay in Canadian territory; when, however, U.S. contractors were awarded contracts for work wholly in Canada, Canadian technicians, supervisory staff and workers would be given employment insofar as those of necessary qualifications were available, except where U.S. key and permanent personnel for dredges were essential; clearance in this regard to be made through the National Employment Service of Canada.

(f) Where U.S. contractors were awarded contracts for work in Canadian territory in the Detroit River, Canadian customs duties on the entry of U.S. dredges for this specific project would be waived.

An explanatory memorandum had been circulated.

(Memorandum Secretary of State for External Affairs, Aug. 7, 1956 — Cab. Doc. 165-56†).

14. *During the discussion* it was pointed out that the U.S. government was not obliged in any way to assume the financial responsibility for these channel improvements. If conditions required by Canada were too rigid, the U.S. might refuse to undertake this work and the Canadian government might have to do it. It was probably unreasonable to require that Canadian workers should be given employment. The condition related to Canadian customs did not seem necessary since the precedent had been established over the past seventy years that dredging done by the U.S. in Canadian waters in the upper lakes was not subject to Canadian duties.

15. *The Cabinet* noted the report of the Acting Secretary of State for External Affairs on a U.S. request to undertake navigation improvements this year in the Canadian waters of the Detroit River, and agreed that such a request be granted under the conditions outlined in the circulated memorandum (Cab. Doc. 165-56) but revised by the Department of External Affairs in consultation with the Department of Labour in the light of the discussion; it being understood that questions of waiver of customs duties would not be mentioned in the reply but dealt with in the usual manner.[203]

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[203] La note du gouvernement des États-Unis et la réponse du gouvernement du Canada sont reproduites dans Canada, *Recueil des traités*, 1957, N° 9.
The U.S. note and the Canadian response are reprinted in Canada, *Treaty Series*, 1957, No. 9.

302. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 43-57 Ottawa, February 19, 1957

CONFIDENTIAL

DREDGING BY THE UNITED STATES IN THE ST. MARYS AND ST. CLAIR RIVER SECTIONS OF THE GREAT LAKES CONNECTING CHANNELS

The United States Government intends to make navigation improvements by dredging in the waters of the St. Marys and the St. Clair River sections of the Great Lakes connecting channels, exclusive of the Southeast Bend of the St. Clair River. Between 3% and 6% of the dredging will be done on the Canadian side of the Boundary and Canadian Government approval has been requested.

The Government of the United States will bear the full cost of the projects which are designed to provide for the growing needs of commerce and will involve the deepening of existing channels and the disposal of excavated materials. The construction programme for the current United States fiscal year, which ends June 30, 1957, includes commencement of work in the St. Marys River, and it is anticipated that work in the St. Clair River will begin in the next fiscal year. On August 10, 1956, Cabinet approved conditions for a similar dredging project in the Detroit River.

The United States proposal as outlined appears to be generally satisfactory. Since it is desirable to improve and deepen the connecting channels for the upper Great Lakes, approval is recommended subject to the conditions outlined below. If Canada does not agree to the projects, the Government of the United States could apply to the International Joint Commission for approval pursuant to Article III of the Boundary Waters Act of 1909.

In the Detroit River project, nearly all the dredging was in Canadian territory and consequently one of our conditions was that Canadian contractors should be given an equal opportunity with United States contractors to bid on the work, and there was a further proviso on the employment of Canadian workers. Since the percentage of dredging to be done in Canadian waters in the present projects is relatively small and scattered through various sections of the rivers, it is not considered suitable for separate contracts. The estimated cost of the entire project as proposed is approximately $16 million for the St. Clair River and $40 million for the St. Marys River. A request for equal opportunities for Canadian contractors to bid on the parts of these projects in Canada would undoubtedly add considerably to the overall cost and make the work much more difficult to carry out. It is accordingly recommended that, while our Note of Approval should draw attention to the precedent created by the conditions contained in our Detroit River Note requiring equal opportunities for Canadian contractors to bid on parts of the project and employment of Canadian labour, it should specifically waive such conditions with respect to the present projects.

The project in the St. Marys River may have the effect of lowering the depth of water over the Canadian lower lock sill at Sault Ste. Marie by about 0.17 foot and in addition it may change the amount of water flowing in Canadian channels in the vicinity of St. Marys Falls and the St. Marys River. In discussions between Canadian and United States engineers the latter considered that the reduction in water levels would have a negligible effect and they accordingly made no plans for any compensatory works. The Canadian engineers believe that the lowering of the levels will somewhat reduce the usefulness of the Canadian lock. Since, however, it is in the Canadian interest to facilitate the present undertaking and since it is the practice for all deeper draft freighters to use the locks on the American side, it is questionable whether construction of costly compensatory works by the United States is warranted. Nonetheless, with the expected increase in Great Lakes traffic, the Canadian Government may wish at some future date to make improvements to the Canadian lock at Sault Ste. Marie and these improvements may affect levels on the United States side of the International Boundary. It is proposed, therefore, that our Note agreeing to the present projects might request the United States Government to give assurances that they will be prepared to facilitate as far as possible the construction by Canada of improvements to the Canadian canal facilities at Sault Ste. Marie if and when such work is considered necessary.

The main conditions of our approval would, therefore, be as follows:

(a) That the final plans for the construction of the channels, including plans for spoil disposal areas, shall be approved by the Canadian Government.

(b) That the United States authorities will ensure, in a manner satisfactory to the Canadian authorities, that the contractor or contractors for this work will, as a matter of contract responsibility, be required to:

(1) perform and complete the work in accordance with the plans and specifications as approved by the Canadian authorities;

(2) be responsible for all damage to persons or property that occur in Canada as a result of their fault or negligence in connection with the prosecution of the work;

(3) carry adequate insurance commensurate to that responsibility.

The regular standard conditions in connection with the request will also be included in the reply to the United States Note.

It is further proposed that Canadian customs duties and excise taxes in respect of equipment, materials and supplies used or consumed in connection with the projects for dredging in boundary waters of the Canadian side of the St. Marys and St. Clair Rivers, should be waived. This remission shall not extend to items for personal use including tobacco, food and beverages actually landed in Canada.

Recommendations

The Secretary of State for External Affairs, with the concurrence of the Minister of Transport, recommends that the Government of Canada agree to permit the Government of the United States to proceed with the projects subject to conditions along the lines of the above, and subject also to assurances being given by the Government of the United States that it will for its part, facilitate as far as possible, the construction by Canada of improvements to the Canadian canal facilities at Sault Ste. Marie if and when such work is considered necessary; the United States Note requesting approval, the Canadian Note and the

United States Note in reply to constitute a "special agreement" within the meaning of Article III of the Boundary Waters Treaty of 1909.[204]

L.B. PEARSON

8^e PARTIE/PART 8

PROTOCOLE À LA CONVENTION SUR LA PÊCHE DU SAUMON SOCKEYE
PROTOCOL TO THE SOCKEYE SALMON FISHERIES CONVENTION

303. DEA/12386-7-40

Note du sous-secrétaire d'État suppléant aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Deputy Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], May 17, 1956

FORTHCOMING NEGOTIATIONS WITH THE UNITED STATES FOR A CONVENTION ON PINK SALMON

We have been informed by the Deputy Minister of Fisheries of a recent discussion with United States Fisheries officials about a convention for pink salmon. The Department of Fisheries have felt for some time that it would be desirable to bring Pacific coast pink salmon under the Sockeye Salmon Convention, and to provide for some type of regulation as now applies for sockeye salmon, and for a division of the catch between the United States and Canada. Mr. Sinclair made a public speech along these lines several weeks ago, at a meeting of the United Fishermen and Allied Workers' Union, in Vancouver. At the end of April, this matter was discussed with United States officials, and it was decided that there should be negotiations on a pink salmon convention similar to the Sockeye Salmon Convention, and the date for these negotiations was tentatively set for next September.

It is proposed that the convention should be placed under the International Pacific Salmon Fisheries Commission, which now administers the Sockeye Salmon Convention. At the same time, the Canadian Department of Fisheries would seek to have the status of the Commission altered somewhat, to bring it more under the authority of the two governments, and thus bring it into line with the more recent fisheries conservation conventions. It was decided that the Japanese Government would be notified confidentially well in advance of the intention to start these negotiations.

R. M[ACDONNELL]

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[204] Approuvé par le Cabinet le 21 février 1957. La note n° 81, dans laquelle on exposait les grandes lignes des conditions posées par le Canada, a été envoyée à l'ambassadeur des États-Unis le 8 avril 1957. Pour prendre connaissance de l'échange de notes, voir Canada, *Recueil des traités*, 1957, N° 4.

Approved by Cabinet on February 21, 1957. Note No. 81 outlining the Canadian conditions was delivered to the U.S. Ambassador on April 8, 1957. For the exchange of notes, see Canada, *Treaty Series*, 1957, No. 4.

304. DEA/12386-7-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur au Japon

Secretary of State for External Affairs
to Ambassador in Japan

TELEGRAM X-132 Ottawa, September 27, 1956

CONFIDENTIAL. IMPORTANT.
Reference: My immediately following telegram.

PINK SALMON NEGOTIATIONS BETWEEN CANADA AND THE UNITED STATES

We have agreed with the United States to hold a conference in Ottawa on October 22, 1956, on pink salmon in the Fraser River area. The purpose of the conference will be to put pink salmon under the Sockeye Salmon Convention, probably by a protocol to the convention.

2. We have sent you copies of correspondence and memoranda on this subject. From these you will see that, although practical considerations favour the course we are following, the Japanese Government might have an argument for maintaining that pink salmon conservation measures should come under the International Convention for the High Seas Fisheries of the North Pacific Ocean, if it wished to do so. You will recall that pink salmon are among the species listed in the annex to the Convention, to which the abstention principle applies. The State Department and ourselves feel that it is perfectly consonant with our obligations under the North Pacific Convention for us to put pink salmon under the Sockeye Salmon Convention. Nevertheless, in view of the importance of the provisions of the North Pacific Convention to our west coast fisheries, it is desirable that we should act in accordance with the spirit as well as the letter of the Convention, and that we should give careful consideration to any allegations which the Japanese Government might make that we are not doing so.

3. It has been decided that similar notes should be delivered to the Japanese Foreign Ministry by the United States Embassy and by you, notifying the ministry of our intentions. My immediately following telegram contains the text of the proposed Canadian note. You will see that the note does not mention the North Pacific Convention nor the legal aspect. As we consider that our course is consonant with our obligations under the North Pacific Convention, we do not want to suggest that there may be legal difficulties, and we certainly do not want to appear to seek Japanese consent for what we are planning to do. If the Japanese react strongly before October 22, and maintain that pink salmon conservation measures should come under the North Pacific Convention, then we will consult with the United States and we will also consider the possibility of postponing the conference.

4. The United States authorities have shown us the text of their proposed note. It is similar to ours, except that it refers to putting various species of salmon, and not just pink salmon, under the Sockeye Salmon Convention. As the meeting on October 22 will only consider pink salmon, we are suggesting to the State Department that their note to the Japanese should refer only to pink salmon and not to other species. Apart from this point, we consider that the differences which exist between their note and ours are not material. As we are anxious to give this notification to the Japanese at the beginning of next week, we suggest that the notes could be delivered in their present slightly different form, rather than spend more time in drafting identical texts. I should therefore be obliged if you

would, in consultation with the United States Embassy, deliver the note as soon as possible, provided that the United States note has been altered to refer only to pink salmon. Please notify us when the note is delivered.

305. DEA/12386-7-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur au Japon

Secretary of State for External Affairs
to Ambassador in Japan

TELEGRAM X-133 Ottawa, September 27, 1956

CONFIDENTIAL. IMPORTANT.
Reference: My immediately preceding telegram.

PINK SALMON NEGOTIATIONS BETWEEN CANADA AND THE UNITED STATES

The following is the text of the note for delivery to the Japanese Foreign Ministry. Text Begins:

The Canadian Embassy presents its compliments to the Japanese Foreign Ministry, and has the honour to inform the ministry of a new step for the conservation of fish resources which the Canadian Government is planning to take in conjunction with the United States Government. The Convention between Canada and the United States of May 26, 1930, concerning the sockeye salmon fisheries in the Fraser River system, provides for certain measures for the protection, preservation and extension of these fisheries. Intermingled with the sockeye salmon in the waters to which the convention applies, are pink salmon stocks. The extensive and complex conservation measures required for sockeye salmon in these waters increasingly affect pink salmon in the same area and in the spawning streams. Conversely, conservation measures which have been adopted independently by the two governmental authorities in respect of pink salmon in this area affect sockeye salmon. It is therefore necessary that the regulation and study of these two stocks be co-ordinated throughout the area.

The International Pacific Salmon Fisheries Commission, which has been operating since 1937,[205] has an organization and staff working throughout the convention area on the sockeye stocks. To accomplish the necessary co-ordination of work on both salmon stocks, it appears most practicable that the functions of this existing commission be expanded to include responsibility for the pink salmon stocks intermingled with the sockeye salmon stocks in the same area. Accordingly, the United States and Canadian Governments are planning to hold a conference on or about October 22, 1956, for the purpose of modifying the Sockeye Salmon Convention in order to give the commission the necessary authority.

In view of the deep interest of the Government of Japan in every action designed to promote the effective and efficient conservation of the living resources of the North Pacific Ocean, the Canadian Embassy is pleased to inform the ministry of this new step looking toward the more effective and efficient management of the pink salmon stocks mentioned above. Text ends. Message ends.

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[205] Voir Canada, *Recueil des traités*, 1937, n° 10./See Canada, *Treaty Series*, 1937, No. 10.

306. DEA/12386-7-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], October 3, 1956

PINK SALMON CONSERVATION AGREEMENT

I attach for your signature, if you approve, a draft memorandum to Cabinet† on the subject of a pink salmon conservation agreement. This draft memorandum has been approved by the Department of Fisheries.

2. The memorandum provides for placing pink salmon under the Sockeye Salmon Commission, and it is largely a question of making the best conservation arrangements for pink salmon. There are, however, two aspects that are of interest to this Department.

3. In the first place, as is pointed out in the memorandum, the Japanese Government may object to the proposed action on the grounds that any new conservation arrangements for fish in the North Pacific should come within the framework of the North Pacific Fisheries Convention. We are arranging, in conjunction with the United States authorities, to notify the Japanese within the next day or two of the proposed action. This will give them an opportunity to argue that the new arrangements should come under the North Pacific Fisheries Convention, if they choose to do so. If they do put forward such an argument, then it is proposed that we should consult with the United States authorities about going ahead with the new pink salmon arrangement. It might be desirable to postpone the conference on pink salmon, or we might arrange for a Japanese observer to be present, or some other way might be found to show that we take our obligations under the North Pacific Fisheries Convention seriously, and that we are anxious to act in concert with Japan in this whole field. It is, of course, important to us to observe the spirit as well as the letter of the North Pacific Fisheries Convention, as its observance by Japan is of great consequence to our west coast fisheries.

4. The other point of interest to this Department is the proposed amendment to the Sockeye Salmon Convention, providing that the regulations of this Convention should be subject to Government approval. The Sockeye Salmon Convention, which was the first of the series of fish conservation conventions to be signed, gives the Commission a rather independent status comparable in some ways to that of the International Joint Commission. In the more recent fisheries conventions, the Commissioners have been made to some extent subject to Government direction. The proposal to bring the Sockeye Salmon Commission into line with the more recent ones is therefore reasonable, and it should certainly help in co-ordinating Government policy on fish and power questions in British Columbia.

R. MACDONNELL
for Under-Secretary of State
for External Affairs

307. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], October 3, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare (Mr. Martin),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Public Works (Mr. Winters),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Minister of Citizenship and Immigration and Acting Postmaster General (Mr. Pickersgill),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

PINK SALMON CONSERVATION; AGREEMENT WITH UNITED STATES

7. *The Secretary of State for External Affairs* submitted a memorandum on an agreement with the United States on pink salmon conservation. A convention between Canada and the United States for the protection, preservation, and extension of the sockeye salmon fisheries of the Fraser River system had come into effect in 1938 with the establishment of the Sockeye Salmon Commission. The convention provided for an equal division of catch by fishermen of the two countries. Intermingled with the sockeye salmon of the Fraser River system were found stocks of pink salmon fished under conservation measures enacted independently by the two countries. The application of uniform conservation measures and fishing conditions was highly desirable, and could best be achieved by extending the authority of the Sockeye Salmon Commission to the pink salmon fisheries. Arrangements had been made for a conference of Canadian and U.S. officials in Ottawa on October 22nd, 1956, to negotiate an agreement to that effect. This agreement, when reached, would be expressed as a protocol to the Sockeye Salmon Convention. The Japanese government would be informed of this proposal and, if it took a strong stand that any international measures in respect of conservation of the pink salmon should be undertaken within the framework of the North Pacific Fisheries Convention, the Canadian and U.S. governments would consult and consider what further course of action should be followed.

It was also desirable to modify the convention to provide that all regulations made by the commission with respect to sockeye, as well as pink salmon, should be subject to approval by the two governments. This modification was necessary mainly because of the importance of the Fraser River as a source of potential water power and the consequent problems faced by Canada in co-ordinating policy as to the resources of the Fraser River.

8. *The Minister of Fisheries* recommended that the proposals made in the memorandum be adopted. He said that the acquisition of 25 large fishing vessels several years ago on the west coast had resulted in Canadian fishermen getting a much larger fraction of the pink salmon catch than before, which had improved Canadian bargaining power. Control of the catch by agreement would make it possible to rebuild the run of this type of salmon.

9. *The Cabinet* noted the report, as submitted by the Secretary of State for External Affairs, on an agreement with United States on pink salmon conservation and agreed,

(a) that a delegation, to be named by the Secretary of State for External Affairs in consultation with the Minister of Fisheries, be authorized to negotiate a protocol to the Sockeye Salmon Convention providing for the inclusion of pink salmon in that convention, with any necessary modifications to meet special problems resulting from that inclusion, and providing also that the regulations of the commission on both sockeye and pink salmon be subject to the approval of the Canadian and U.S. governments; and

(b) that the head of the Canadian delegation and one other nominee be granted full power to sign a protocol containing the above provisions.

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308. DEA/12386-7-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], October 22, 1956

CONFERENCE ON PINK SALMON

You will recall that a meeting between Canada and the United States to consider a proposal to put pink salmon under the Sockeye Salmon Commission is to open in Ottawa on October 22. There have been two recent developments.

2. The Japanese Government was informed of the meeting by the Americans and ourselves ten days ago and they have asked for permission to have an observer attend. In consultation with the Department of Fisheries and with the United States authorities it has been agreed to accept this proposal and to invite a Japanese observer.

3. As part of the Canadian delegation there are to be "industry advisers", designated by the Minister of Fisheries. These will include representatives of the owners of fishing vessels and also Mr. Homer Stevens, Secretary of the United Fishermen and Allied Workers' Union. Mr. Stevens is a member of the Labour Progressive Party and his union is communist-infiltrated. He has attended meetings of international fisheries commissions in Canada as a union representative. He is known to the United States authorities and has been refused admission to attend meetings in the United States.[206] We understand that the United States fisheries official are aware that he is to attend this meeting in Ottawa.

4. The presence of Mr. Stevens in the Canadian delegation may possibly occasion some criticism of the Government, either in the United States or domestically. I think that the proper reply to any criticism should be that the Government recognizes the interest of the union in the fisheries of the Pacific Coast, that Mr. Stevens is the union's chosen representative and that he will not attend meetings at which classified material will be discussed. Presumably, however, enquiries of this nature should be directed to the Department of Fisheries.

J. L[ÉGER]

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[206] Voir aussi/See also Document 313.

309. DEA/12386-4-40

Le sous-secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Under-Secretary of State for External Affairs
to Ambassador in United States

LETTER X-1340 Ottawa, November 12, 1956

RESTRICTED

PINK SALMON CONFERENCE

A conference on pink salmon was held between the United States and Canada in Ottawa from October 22 to 25. The conference decisions were embodied in a protocol to the Sockeye Salmon Convention,[207] a resolution†, and interpretative paragraphs for the minutes†, and copies of these and other conference papers† are attached. The protocol will be signed when it is approved by the two governments, probably about mid-November, and will require ratification later.

2. Article I of the protocol provides simply that the Convention shall apply to pink salmon in the same way that it now applies to sockeye salmon. This proviso will enter into effect when the protocol is ratified, and it is expected that the Sockeye Salmon Commission will start regulating pink salmon in 1957.

3. Article II of the protocol provides for the deletion of several phrases from Article IV of the Convention, to give the Commission more flexibility in making regulations.

4. Article III of the protocol provides that henceforward the regulations of the Sockeye Salmon Commission, relating either to sockeye or pink salmon, shall be subject to the approval of the two governments. This proposal was made by Canada and was intended to bring the Sockeye Commission into line with the fisheries commissions which have been established in recent international conventions. In the new commissions the commissioners are normally representatives of governments (who are instructed like government delegates to a conference) or representatives of industry. The commissioners under the Sockeye Salmon Convention, on the other hand, hold office for some years, and the Canadian commissioners have not been subject to government direction. It was felt desirable to bring the Commission more directly under the governments so that its work might be coordinated better with the work of the other international fisheries commissions. Moreover, it is also desirable that the work of the Commission should be subject to direction by governments, so that if a government takes a decision, for example, on policy towards Japan or on electric power development on the Fraser River, this decision would be reflected in the work of the Commission.

5. The Canadian delegation was particularly interested in this Article III of the protocol because the Commission works nearly entirely in Canadian territory. At first the United States delegation did not see the need for the amendment. A complication on the American side is the fact that the state governments, such as that of the State of Washington, have more power in fisheries matters than do the corresponding Canadian provinces. Moreover, it appears that whereas the Canadian Department of Fisheries has had some differences of opinion with the Sockeye Salmon Commissioners in recent years, there have not been the

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[207] Voir Canada, *Recueil des traités*, 1957, N° 21./See Canada, *Treaty Series*, 1957, No. 21.

same difficulties on the United States side. However, the United States Delegation agreed to this article with a provision for giving the Commission power to make regulations that are necessary on a day-to-day basis, such as those for opening and closing fishing periods, and also arrangements for dealing with the situation which arises when governments fail to approve the Commission's recommendations. The reference to "emergency orders" provides for this contingency, and "emergency orders" are defined in one of the agreed paragraphs to appear in the minutes.

6. Article IV of the protocol extends to pink salmon the equal division of catch now applying to sockeye salmon. Article V provides for a representative of the processing branch of the industry on the Advisory Committee.

7. Article VI of the protocol deals with the co-ordination of research programmes between the research staff of the Sockeye Salmon Commission and government research agencies in Canada and the United States. The Sockeye Salmon Commission differs from the more recently created fisheries commissions in that it has its own research staff, whereas the research programmes of the other international commissions are carried out by the national research staffs. Here again the position is complicated on the United States side, as the State of Washington conducts a certain amount of research. The co-ordinated programme was decided upon as a means of postponing any decision on the extension of the convention area because of the addition of pink salmon. Pink salmon are found in various areas adjoining the convention waters where there are no sockeye salmon, and arguments were put forward by Canada to extend the convention area southward to Puget Sound and by the United States to extend the convention area northward to the Strait of Georgia. Eventually it was decided that the convention area should be left unaltered pending this scientific investigation.

8. The question of research co-ordination was raised at the conference in several ways. In the first place, the Canadian Delegation proposed that the protocol include a proviso that national research agencies could do research in the convention area, and this is covered in one of the agreed paragraphs for the minutes. The United States Delegation had a somewhat different proposal, namely that material gathered by the research staff of the Commission dealing with species other than sockeye salmon or pink salmon should be transmitted to the national research agencies, and this became Article VII of the protocol. It was considered undesirable to authorize the research staff of the Commission to operate in Puget Sound and the Strait of Georgia (outside the convention area), and accordingly it was agreed to institute a programme of research for these adjoining waters by the national research agencies which would be co-ordinated with the research programme of the Commission staff.

9. To one accustomed to think of research as a matter of free exchange of information, particularly in a field such as fisheries, it was odd to hear the discussions about co-ordination of research. Apparently the development of the independent status of the Sockeye Salmon Commission in recent years has been accompanied by a lack of proper co-operation in research matters between its staff and the staff of the Canadian Fisheries Research Board. This is regrettable, as it is of great importance that fisheries research work on the Fraser River should be as complete as possible in view of the projects for the development of electric power on the Fraser. The research staff of the Sockeye Salmon Commission apparently suffers scientifically from its limited field of activity, whereas the Fisheries Research Board studies many kinds of fish over a large area. Since the basis of fisheries conservation by international agreement is that it be based on proper research, it is hoped that these provisions in the protocol and minutes will help to remedy the lack of exchanges between the different fisheries research agencies.

10. Although the conference was called to discuss pink salmon only, the question of offshore fishing inevitably bulked large. Canadian policy was, of course, set out in the note of October 12,[208] which you delivered to the State Department on this question. The note pointed out that in the past season some United States fishing vessels had taken salmon 30 to 40 miles off the Canadian Pacific coast, and that if this practice increased it would nullify all the conservation measures in effect on the Pacific coast. Canada proposed that both countries issue regulations prohibiting their nationals from "offshore" salmon fishing with nets. Canadian officials have in mind drawing a "fishing line" beyond which net fishing for salmon would be prohibited. This fishing line would be quite independent of the limit of territorial waters. At one place it might be a mile or so from the shore, at another, 15 miles or more offshore, and so the waters in which salmon net fishing would be prohibited would include both territorial waters and high seas. These Canadian ideas are still being developed, and were not fully explored with the Americans at the conference. In his speech at the opening of the conference, Mr. Sinclair emphasized the importance of the offshore fishing problem.

11. The United States authorities are equally concerned about offshore fishing, and anxious to seek a solution. In their case the state authorities make regulations for territorial waters, and the federal authorities for high seas. However, the Sockeye Salmon Commission includes both territorial waters and high seas in its jurisdiction. Hence the United States delegation argued that the best way to deal with the problem of offshore fishing was to extend the convention waters under the Sockeye Salmon Convention. This proposed extension of the convention area was, of course, for quite a different purpose than the proposed extension described in paragraph 7 above. The United States proposal was put forward forcefully and at one time was said to be a condition of American acceptance of the protocol.

12. The Canadian Delegation felt this proposal unsatisfactory, and favoured rather the drawing of a "fishing line". The Canadian Delegation argued that offshore fishing should be considered at a separate meeting, when plans for remedial action had been further developed in each country. It was eventually decided, therefore, to express the consensus of view of the conference on offshore fishing in a resolution, rather than attempt to deal with it at the pink salmon conference.

13. There had been some concern among both United States fisheries officials and our own in the weeks before the conference about the possible reaction of the Japanese authorities to the proposal for placing pink salmon under the Sockeye Salmon Commission. This concern arose because of the fact that Japanese authorities would have an argument, if they chose to make it, that any new international conservation arrangement for a species mentioned in the North Pacific Fisheries convention, between signatories to that convention, should come under the convention. Accordingly the Japanese authorities were informed about two weeks before the opening of the conference of the intention of the two governments to discuss arrangements for putting pink salmon under the Sockeye Salmon Commission. Several days before the conference opened the Japanese Government asked that a Japanese observer be permitted to attend. After consulting the Americans, we replied that a Japanese observer would be welcome to attend general meetings of the conference. Mr. Wada, the First Secretary of the Japanese Embassy in Ottawa, was appointed observer. He attended only the opening and closing sessions of the conference, as all the work was done in committee. He was briefed several times on the progress of the discussions by an

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[208] Cette note, numéro 654, n'a pas été imprimée. Elle est fondée sur le document 310.
This note, Number 654, is not printed. It is based on Document 310.

officer of this department. He was also given copies of the conference documents. We feel that this was a reasonable arrangement because it would have been somewhat difficult to have an observer of another government present while the actual detailed negotiation of the protocol was taking place. It was quite obvious to Mr. Wada that he was excluded from all save formal meetings, and he may well have felt the arrangement rather undignified.

14. The Japanese Government has also asked that the North Pacific Fisheries Commission be informed of the results of the conference, and the Canadian Delegation will make an appropriate statement to the Commission at its meeting this month in Seattle. We have not so far received any indication from the Japanese Government that they intend to argue that the action of the United States and Canada in putting pink salmon under the Sockeye Treaty is contrary to the spirit or provisions of the North Pacific Fisheries Convention.

15. There was some discussion of the status in law in Canada and the United States of the Commissioners and employees of the Sockeye Salmon Commission. This question also arose with respect to the officials of other international fisheries conventions when they operate in Canada and the United States, and it will be pursued through diplomatic channels.

T. LEM. CARTER
for Under-Secretary of State
for External Affairs

9e PARTIE/PART 9

RÉGLEMENTATION DE LA PÊCHE HAUTURIÈRE DU SAUMON DU PACIFIQUE
REGULATION OF THE PACIFIC OFF-SHORE SALMON FISHERY

310. DEA/12386-4-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM XX-2 Ottawa, October 3, 1956

CONFIDENTIAL. IMPORTANT.

By bag Tokyo, Seattle from Ottawa.

HIGH SEAS SALMON FISHING

1. Following for your info only is the text of a letter of September 28 to the Minister from the Minister of Fisheries, together with an enclosed memo of the Deputy Minister of Fisheries. We shall be sending you instructions on this matter very shortly. Text begins:

My Dear Colleague,

A recent development in the fishing of salmon on the Pacific Coast is giving rise to serious concern and if the necessary restrictive action is too long delayed there can be no doubt that grave consequences will result.

The attached memo, prepared by my Deputy Minister, sets out in detail the problem and its serious nature. In my opinion it is evident that if we wait for action by the USA authorities, without bringing the matter formally to their attention, we will not get the desired action soon enough to prevent serious damage to the salmon fisheries of British Columbia, Washington and Oregon. As noted in the attached memo, the USA federal authorities recognize the seriousness of high-seas salmon fishing with nets and did take action to prohibit such fishing in waters off Alaska. What is required is a similar prohibition for the waters off Oregon, Washington and British Columbia.

I should be grateful if you would consider taking the matter up with the Government of the USA as quickly as possible.

Yours sincerely, James Sinclair.

Memo for Minister

A serious problem has arisen during the past two or three months in connection with salmon fishing on the Pacific Coast. The problem is one of "off-shore" net fishing, i.e., fishing beyond territorial limits by USA fishermen and to some extent by Canadian fishermen.

It is the view of Canada and the USA that fishing for salmon on the high seas is detrimental to conservation of the resources because it is impossible to determine the various stocks of salmon in high seas areas. Thus, conservation measures which are applied for the regulation of the various runs and stocks of salmon as they approach their respective spawning rivers are of no value if fishing is conducted say thirty, forty or fifty miles at sea. In order to protect the runs of salmon bound for spawning areas on the North American side of the Pacific, Japan agreed under the North Pacific Fisheries Convention to abstain from fishing salmon (as well as halibut and herring) in the eastern part of the Pacific Ocean. The fishermen of the USA and Canada have severely criticized the continued allowance of Japan to fish salmon in the high seas, even though under the North Pacific Fisheries Convention the Japanese operations are conducted on the western side of the Pacific. Now, however, there is a definite move on foot, particularly by USA fishermen, to fish salmon well outside territorial waters thus intercepting the runs before they separate to move in towards their home spawning rivers. Because of the recent activities of a fairly substantial group of USA fishermen to conduct "off-shore" salmon fishing, using exceptionally long gillnets, Canadian fishermen are planning to follow suit.

The current danger of American and Canadian fishermen starting to fish salmon on the high seas was recognized over a year ago. Discussions took place on the matter between the Canadian and USA sections of the International North Pacific Fisheries Commission at the time of the meetings of the commission in November, 1955, at Tokyo. The USA section was in complete agreement with the Canadian section that action should be taken to ensure that the nationals of both countries should not be permitted to fish salmon with nets in the high seas. The question was again discussed between officials of the Department, the USA Fish and Wildlife Service and the USA State Department in Washington, DC on January 4, 1956. During the past summer the USA Government took regulatory action to prohibit USA nationals fishing for salmon with nets in the high seas off Alaska. I had a subsequent discussion on the problem as it pertains to the high seas off British Columbia, Washington and Oregon with officials of the USA fish and wildlife service, the State Department and the Canadian and American sections of the North Pacific Fisheries Commission in Seattle, Washington, on September 7, 1956.

The situation is that if high seas fishing for salmon by nationals of the USA and Canada is permitted to continue and develop it will have the effect of nullifying any arguments put forward to Japan (or for that matter other countries) that the taking of salmon in the high seas is destructive and contrary to good conservation practice and sound management of the resource. Added to this is the fact that if high seas fishing is permitted, our efforts to maintain and rehabilitate the salmon runs in British Columbia will be of no avail. This too would be the case in the efforts of the USA to maintain and develop the salmon runs to the streams and rivers of the states of Washington and Oregon. Moreover, the success of the International Pacific Salmon Fisheries Commission in rehabilitating the Fraser River sockeye salmon will be defeated.

The International Pacific Salmon (Sockeye) Fisheries Commission is already on record with both governments asking that action be taken to prevent the nationals of the USA and Canada from fishing salmon in the high seas. In the discussions noted above with officials of the USA we have pressed for action to be taken. Canada's position is that under current legislation we can adopt regulations to prevent Canadian fishermen from operating with nets on the high seas for salmon. We have hesitated to take such regulatory measures, however, until we are assured that similar steps will be taken by the USA. To date this has not been forthcoming because there is, apparently, a lack of federal USA legislative authority, except in Alaska where the USA Federal Government has direct jurisdiction over fisheries. At the meeting in Seattle on September 7 we were informed that it was impossible for action to be taken by the USA this fall but we were told by Mr. W.C. Herrington of the USA State Department that reasonable assurance could be given that action would be taken in time for the 1957 fishing season.

On September 13 a meeting was held in Vancouver by the Minister and officials of the Department with a group of representatives of the Canadian industry. The cannery operators and the fishermen's organization have expressed themselves as being strongly opposed to high seas fishing for salmon with nets. The British Columbia industry is acutely aware of the dangers from a conservation standpoint to the development of high seas salmon fishing. As a result of the discussion in Vancouver, the Department's Chief Supervisor of Fisheries for British Columbia was authorized to issue a notice to the Canadian industry. A copy of the notice,† dated September 13, is attached.

The officials of the Department concur that high seas salmon fishing of the kind now being developed, if not prohibited by governmental action by both the USA and Canada, can reach most serious proportions to the ultimate end of negating the conservation, expansion and rehabilitation of the salmon runs of the Pacific Coast. Equally serious is the effect such high seas fishing by USA and Canadian nationals will have in maintaining with Japan the abstention provisions of the North Pacific Fisheries Convention.

It is considered that the situation warrants a formal approach by the Department of External Affairs to the USA State Department, thus bringing the matter officially to the attention of the USA authorities and asking for assurance that legislative action will be taken prior to the commencement of the 1957 salmon fishing season to prohibit nationals of the USA from engaging in high seas salmon net fishing. It can be stated that Canada now has the necessary legislative authority and is prepared to implement it in so far as Canadian nationals are concerned. The officials of the Department are ready to confer with the appropriate USA officials to work out a standard description of the kind and type of salmon fishing gear which may continue to be employed in the high seas (trolling gear) and to describe uniformly the waters which will be considered to be high seas for the purposes of salmon net fishing.

G.R. Clark, Deputy Minister. Text ends.

311. DEA/12386-4-40

Le secrétaire d'État des États-Unis
à l'ambassadeur aux États-Unis

Secretary of State of United States
to Ambassador in United States

[Washington], December 7, 1956

Excellency:

I have the honor to acknowledge the receipt of your note No. 654 dated October 12, 1956,† on the subject of net fishing for salmon in Pacific Ocean waters off the coasts of the United States and Canada.

The United States Government is of the view that intensive net fishing for salmon in the high seas and territorial waters of those areas may defeat the domestic salmon conservation programs of our two countries as well as that of the International Pacific Salmon Fisheries Commission. It believes that our two Governments should together seek action to control such salmon fishing by their nationals uniformly in all such waters except in limited and clearly defined inshore areas.

I believe, therefore, that our two Governments are of one mind with regard to the threat of such net fishing by our nationals and of the desirability of concerted action to meet the problem. In this connection, I understand from conversations between officers of the Embassy and the Department of State that the term "off-shore areas" as used in Note No. 654 is to be construed to include both high seas and territorial waters.

You will be aware that at the Conference on Pink Salmon held in Ottawa October 22 to 25 delegations from our two countries, taking note of the statements of the International Pacific Salmon Fisheries Commission which you mention, joined in a resolution urging the Governments of the United States and Canada to take expeditious action to resolve the problem presented by the threatened development of intensive net fishing for salmon off the coasts of the United States and Canada.[209]

The United States Government has, as you indicate, already taken action whereby net fishing for salmon in certain waters off the coast of Alaska is prohibited to its nationals and vessels. The extension of control by authorities in the United States over salmon fishing in coastal waters to the south will require coordinated activity by the States of Washington, Oregon, and California and the Federal Government. The Department of State has this problem of coordinated action under study and is discussing with those three States and with the Pacific Marine Fisheries Commission the possibilities of State or Federal action or both in this matter.

I shall be pleased to communicate further with you in the near future regarding arrangements for a conference between officials of our two Governments with a view to coordinating action by our two countries to meet the problem arising from net fishing for salmon in coastal waters. Such a conference might also explore the subject of uniformity of regulations for salmon trolling.

Accept, etc.

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[209] Voir/See Document 309.

312. DEA/12386-13-40

Le secrétaire d'État des États-Unis
à l'ambassadeur aux États-Unis

Secretary of State of United States
to Ambassador in United States

[Washington], February 5, 1957

Excellency:

I have the honor to refer further to your Note No. 654 of October 12, 1956† concerning the problems of regulating net fishing for salmon in Pacific Ocean waters off the coasts of the United States and Canada.

In my reply of December 7, 1956 I indicated that officials of the United States would be pleased to meet with Canadian officials on the whole subject of coordinated action on the regulation and control of oceanic fishing for salmon in the Pacific Ocean as soon as the Department of State should have discussed the matter with the Federal agencies and Pacific coast states concerned.

I am now happy to inform you that these discussions have taken place and representatives of the United States Government are prepared to meet with Canadian representatives in the near future on this subject. It is suggested that a conference might take place at Seattle, Washington from February 27 through March 1, 1957, the sessions to begin at 10:00 A.M. on February 27 at the Washington State Department Fisheries Building, 4015 20th Avenue West, Seattle. The conference would concern itself with (1) as is suggested in your Note No. 654, regulations governing salmon fishing by nationals of our respective countries in eastern Pacific Ocean waters, and (2) an exchange of views on possible regulations in other fisheries of the area common to our two countries.

I trust the suggested time and place of the conference may meet the convenience of your Government.

Accept, etc.

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313. DEA/12386-13-40

Note de la Direction de l'Amérique
pour la Direction des affaires consulaires

Memorandum from American Division
to Consular Division

CONFIDENTIAL [Ottawa], February 18, 1957

PASSPORT APPLICATION FOR HOMER STEVENS TO ATTEND CONFERENCE ON OFF-SHORE FISHING IN SEATTLE

Under date of February 14, 1957, the Deputy Minister of Fisheries has written to us that he wishes to have Mr. Homer Stevens of the United Fishermen and Allied Workers Union accompany the Canadian delegation to a conference with American officials on the subject of off-shore salmon net fishing to be held in Seattle commencing February 27, and continuing for about three days.

2. As you know, Mr. Homer Stevens has not been acceptable to United States authorities on previous occasions on security grounds. However I understand from Mr. Clark that he discussed this matter with officials of the State Department in Washington on February 9. The attached telegram No. 353 of February 15† from the Embassy in Washington says:

"We are informed that if Stevens is accredited as an official rep of the Govt. of Canada to the conference in question and if he possesses a special passport with an A-2 visa, there will be no problem about his admission. The Visa Officer in State Dept. has undertaken to phone Mr. Berkley of the USA Embassy to arrange for the issuance of the visa on application."

3. Mr. Clark said that he would telephone Mr. Stevens and ask him to send to him a signed form of application for passport and say that he would endeavour to obtain a passport and U.S. visa so that Mr. Stevens could accompany the delegation.

4. In his letter† to us of February 14 the Deputy Minister of Fisheries states:

"Mr. Stevens would be a most valuable member of the Canadian advisory committee since he is extremely well acquainted with the off-shore salmon net fishing problem as well as the other subjects and, more so than any other individual, represents the majority of the fishermen of British Columbia.... I consider it extremely important that, if at all possible, Mr. Stevens be present as a member of the Canadian delegation."

5. It is our understanding that Fisheries Department considers it highly desirable that Mr. Stevens attend because if he and his union do not go along with the regulations devised at the forthcoming conference, implementation of any agreement reached will be most difficult. The problem of off-shore net fishing is urgent and, if not solved, could be most injurious to our efforts for conservation of the salmon fishing industry.

6. With respect to Mr. Stevens himself, it would seem that he is at liberty within Canada and is not at present accused of any wrong-doing. Furthermore, there is no expectation that he would cause us any embarrassment by attending this conference. I may say that he represented the fishermen at the pink salmon treaty negotiations in Ottawa a couple of months ago and was reported to have conducted himself acceptably at that time.[210] A point which may be worth careful consideration is whether a failure to have him attend the Seattle meeting would result in allegations that the U.S. Government, through use of its security requirements, was able to veto the membership of a Canadian delegation.

7. Presumably the passport issued to Mr. Stevens would indicate that it was solely for the purpose of attending this conference as an industry adviser to the Canadian delegation, and would be for a limited period of validity. Mr. Clark has assured me that he will be accompanying Mr. Stevens on the return journey and will lift his passport as soon as they have cleared Canadian customs and immigration. With respect to the type of passport to be used, I understand that you will speak with Mr. O'Brien to determine whether a regular passport with an inscription would be accepted rather than a special passport.[211]

J.H. CLEVELAND

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[210] Voir/See Document 308.

[211] Le 21 février 1957, la Direction des affaires consulaires a délivré à Stevens un passeport ainsi qu'un visa pour un seul séjour aux États-Unis.
On February 21, 1957, Consular Division issued a passport to Stevens with a single entry visa for the United States.

314. DEA/12386-13-40

Le consulat général à Seattle
au sous-secrétaire d'État aux Affaires extérieures

Consulate General in Seattle
to Under-Secretary of State for External Affairs

LETTER NO. 60 Seattle, March 4, 1957

Reference: Our letter No. 12 of January 11, 1957.†

OFF-SHORE SALMON FISHING

We attach a copy of a news release issued by the United States and Canadian delegates following the meetings held in Seattle, Wednesday and Thursday, February 27 and 28, 1957, concerning the conservation of the salmon fishing industry through the regulation of off-shore net salmon fishing.

2. Although the principal reason for the Conference was to discuss and come to an agreement on the conservation of the salmon, petrale sole fishery conservation was also included in the agenda.

3. The Conference was most interesting because both parties, and in this I include the States of Washington, Oregon, California, the territory of Alaska, the province of British Columbia, and both federal governments, were in complete agreement as to the necessity of making regulations which would insure the salmon industry would continue. New devices used in fishing during the years of 1955 and 1956 have frightened all salmon fishermen who have conservation in mind. Because of the new nets in seine and gill netting, some fishermen were catching salmon in international waters before the fish had a chance to go to their home streams to spawn. A fishery biologist informed us that two more years of such exploitation would have made the end of salmon on the Pacific Coast.

4. You will see from the news release that we are in agreement and from all indications the separate states will pass the necessary legislation for the regulation of off-shore fishing before this 1957 salmon season opens.

5. Agreement was also collected on the dates and size for trolling of salmon as well as the dates and size of catching bottom fish such as sole and rock cod.

6. I might mention that our Chairman, Mr. George R. Clark, Assistant [sic] Deputy Minister from the Department of Fisheries, was a most able leader of the Canadian Delegation and chiefly because of his efforts, the Conference was concluded on an agreeable note.

JAMES D. FOOTE

P.S. Mr. Clark's Assistant, Dr. William Sprules, informed us that a precis of the whole conference would be available to all interested parties within the next month.

[PIÈCE JOINTE/ENCLOSURE]

Communiqué

News Release

Seattle, March 1, 1957

AGREEMENT REACHED ON U.S.-CANADIAN FISHERY REGULATIONS

United States and Canadian conferees today recommended coordinated regulations in the oceanic salmon and certain other fisheries in the Pacific Ocean. Nets in off-shore salmon fishing will not be permitted. The spring or chinook salmon troll fishing season will open not earlier than April 15 and will close October 31. The June 15 opening date on trolling for silvers or cohos will remain unchanged. Troll-caught chinook salmon will be required to be 26 inches minimum length or an equivalent minimum weight. In the petrale sole fishery, a uniform closed season from December 20th to April 15 will be established.

At present Canada does not have seasons for troll-caught chinooks or a minimum length regulation, or a season on petrale sole. The coast states this year have set an April 15 opening date for troll-caught chinook landings, and closed the petrale fishery from February 1 through April 15. Some net fishing for salmon has been carried out on the high seas exterior to the Strait of Juan de Fuca. In 1955 a gill-net fishery in "outside" waters began to develop.

Washington, Oregon and California are moving the needed laws through the current Legislatures. Canada can put into effect by administrative action such regulations as are necessary. It is planned that this coordinated system of regulations will take effect in the three states and Canada in time for the coming fishing seasons. Failure of action in any one of the four jurisdictions may jeopardize the entire program.

The meeting represents a long step forward in securing coordination of regulations to conserve Pacific Coast fisheries. Hitherto, the measures of Washington, Oregon and California have been coordinated through the Pacific Marine Fisheries Commission. The recommendations of the conference when approved by the Legislatures and administrative action taken by Canada will mean that regulations along the entire Pacific Coast will be coordinated.

The meetings, which were held in the Salmon Bay Regional Office of the Washington Department of Fisheries, were attended by officials from Washington, D.C., Ottawa, members of the Legislatures and officials of the Pacific Coast states, as well as commissioners of the Pacific Marine Fisheries Commission and advisors from industry.

The recent growth of net salmon fishery threatened existing United States and Canadian salmon conservation programs. Such fishing already is forbidden in waters off the coast of Alaska by order to the Secretary of the Interior.

The conference also took note of a special problem which exists in the area adjacent to the Bonilla Point-Tatoosh Island line at the entrance to the Strait of Juan de Fuca, and agreed that mutual scientific studies would be inaugurated by Canada and the State of Washington in those waters.

Finally, arrangements on procedures for continued international review of coordinated regulations were reached.

In attendance were Canadian Delegates G.R. Clark, Deputy Minister of Fisheries, Ottawa; Wm. M. Sprules, Department of Fisheries, Ottawa; and from the Department of Fisheries, Vancouver, B.C., A.J. Whitemore and C.R. Levelton.

Canadian Advisors were George T. Brajcich, Fishing Vessel Owners Association of British Columbia; John H. Johnson, Prince Rupert Fishermen's Cooperative Association at Prince Rupert; F. Probert and F. Rolley of British Columbia Gillnetters; James D. Foote, Canadian Consul; Homer Stevens and Mike J. Canic of United Fishermen and Allied Workers Union; Clarence Joe, Native Brotherhood of British Columbia; J. Cameron, International North Pacific Fisheries Commission; R. Nelson, D.F. Miller and S.R. Furney of Fishing Association of British Columbia; R. Stanton of Pacific Trollers; D.J. Milne, K.S. Ketchen and A.W.H. Needler, Fisheries Research Board of Canada, Nanaimo; and J.L. Kask, Fisheries Research Board of Canada, Ottawa.

The United States Delegates were Wm. C. Herrington, Special Assistant to the Under-Secretary of State; Warren F. Looney, Department of State; W.M. Terry and John T. Gharrett of United States Fish and Wildlife Service; M.C. James, Director, Oregon Fish Commission; R.L. Jones, Chairman, Pacific Marine Fisheries Commission, Oregon; Richard S. Croker and Eugene D. Bennett of Pacific Marine Fisheries Commission, California; Carl A. Nelson, Puget Sound Gillnetters Association, Mount Vernon; John N. Plancich, Fishermen's Packing Corporation, Anacortes; Nick Mladinick, Purse Sein Vessel Owners Association, Tacoma; and Milo C. Bell, Acting Director, Washington Department of Fisheries.

United States Advisors were Senator E.A.C. Johnson, Representative F.P. Belotti, California Legislature, and W.O. Riley, all of Pacific Marine Fisheries Commission, California; Senator H.N. "Barney" Jackson and Representative Chet King of the Washington State Legislature; Representative Wm. H. Holmstrom, Chairman and Representative Robert G. Elfstrom, member, of Legislative Fish and Game Committee, Oregon; Floyd L. Wright and Charles K. Phenicie of Pacific Marine Fisheries Commission, Oregon; H.J. McCool and Bert G. Johnston, Fishermen's Cooperative Association Seattle; Harold Loman, Fishing Vessel Owners Association, Seattle; Nick P. Kuljis, Fishermen's Marketing Association, Seattle; John S. Wilkinson, Puget Sound Canners; Harold A. O'Neill, Puget Sound Salmon Canners, Inc., Association of Pacific Fisheries; Mark Edmunds of Garibaldi, Oregon; and Joseph T. Mijich, Pacific Marine Fisheries Commission, Seattle. Attending as observers were Loyd A. Royal of New Westminster, B.C. and Robert J. Schoettler, Seattle, both representing International Pacific Salmon Fisheries Commission.

10^e PARTIE/PART 10

LA CHASSE AUX PHOQUES
PELAGIC SEALING

315. DEA/12386-10-40

Note du chef de la Direction de l'Amérique pour le sous-secrétaire d'État adjoint aux Affaires extérieures[212]

Memorandum from Head, American Division, to Assistant Under-Secretary of State for External Affairs[212]

CONFIDENTIAL [Ottawa], February 3, 1956

NORTH PACIFIC FUR SEALS CONFERENCE

Mr. G.R. Clark, Deputy Minister of Fisheries, telephoned me today. He discussed the developments at the fur seals conference in Washington since January 10. (Previous developments were covered in my memorandum of January 10†).

2. The Canadian compromise proposal[213] was formally made to the conference on January 16 (copies of Mr. Clark's statement† to the conference will be circulated within the next few days). The statement was discussed by the members of the drafting committee of the conference on January 23 and on following days. The Japanese delegation accepted the proposal in principle, while indicating that they would like a number of changes made in it. This was a considerable concession for Japan to make. Early in January the Japanese delegation had proposed that Japanese fishermen be authorized to kill 30,000 seals per year off the Japanese coast. In private conversation, the delegation had reduced the proposed number of seals to be killed each year to 6,000. By accepting the Canadian proposal in principle, they would not be able to kill any seals at sea for several years, except those killed for scientific purposes. Generally speaking, the Japanese delegation had been very reasonable and forthcoming in private discussions in recent weeks. This applied particularly to Mr. Shima, the Minister of the Japanese Embassy in Washington and the active leader of the delegation.

3. The United States delegation expressed their general agreement with the Canadian proposal, but did not seem to support it very strongly. Although it appears that the United States delegation is anxious to reach an agreement at the conference, they have neither supported our efforts to reach a solution wholeheartedly, nor have they made any compromise proposals of their own. The continuance of the conference beyond the period originally envisaged is, of course, causing considerable administrative embarrassments to the State Department, and it may be that this is a factor in the attitude of the delegation.

4. The head of the USSR delegation, Mr. Striganov, has maintained firmly an attitude of opposition to pelagic sealing on any basis. He alleged that the conference was called by the United States to work out a convention prohibiting pelagic sealing and he has implied that the United States, by agreeing to the Canadian proposal with the implication that pelagic sealing may be possible sooner or later, is guilty of bad faith. The Soviet delegation has also been strongly opposed to the exchange of technical personnel which it is proposed

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[212] Note marginale :/Marginal note:
Mr. Léger/Mr. Holmes: Covering memo may interest you. M. W[ershof]

[213] Voir/See Volume 21, Document 491.

would take place under the new fur seals organization. They have strongly objected to the conference discussing any arrangements for future programmes. Mr. Clark has had one or two private talks with Mr. Striganov in an attempt to secure a modification of the Soviet position. On the exchange of technical personnel particularly, he has pointed out that during his visit to the Soviet Union last year, Mr. Sinclair found the Soviet authorities quite keen on this idea. Nevertheless, the Soviet delegation have shown very little indication of willingness to compromise.

5. The prospects for reaching an agreement are thus not very good, and it remains for consideration whether there is anything further which the Canadian delegation could do to that end. As matters stand, the Soviet Union is isolated in its opposition to a reasonable compromise proposal and one which the Japanese have accepted even though it means a considerable departure from their original attitude. This is not, however, too satisfactory, because if the conference breaks up without reaching an agreement, the Soviet Union would be able, by virtue of their control of some of the seal herds, to bargain on a bilateral basis with Japan.

6. Mr. Clark said that he had briefed the Ambassador in Washington and Mr. Glazebrook fully on the proceedings of the conference on January 24.

T. LEM. CARTER

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316. DEA/12386-10-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 222 Washington, February 7, 1956

CONFIDENTIAL
Repeat Department of Fisheries.

NORTH PACIFIC FUR SEAL CONFERENCE

We are sending forward by bag the documents obtained from the North Pacific Fur Seal Conference covering the period that Gilbert was away on sick leave. The following report will bring up-to-date the developments at the conference which has adjourned temporarily.

2. The Canadian proposal previously reported in our despatches†, though at first accepted in principle by the United States and Japan, finally proved unacceptable to the latter country because the proposal that the Commission should decide on the quantities of seals to be taken pelagically for research purposes posed the problem to Japan of the veto by any one of the participating countries in the Commission.

3. A U.S. draft convention submitted to the Principles and Drafting Committee on February 4th, although following very closely the Canadian proposals, offset the Japanese objection in that the decision as to the number of seals to be taken pelagically for research purposes is to be written into the treaty and can only modified by the Commission on which Japan, as one of the participants, would have veto powers.

4. The USSR have taken the attitude that because they had been invited by the U.S. to participate in the redrafting of the 1911 Convention and though they had agreed to the setting up of a commission, they had been misled by the U.S. and hence must get new

instructions from their government on the basis of the U.S. draft treaty and the U.S.'s most recent proposals.

5. This is expected at a minimum to take a week but the USSR have undertaken to give at least two days notice for the calling of a meeting of the Principles and Drafting Committee.

6. Japan, which does not wish to make a statement until the Russians have made their position clear regarding the U.S. proposals, have given a similar undertaking with respect to the calling of a meeting.

7. Ozere and Fisher are returning to Ottawa awaiting notice from the secretariat as to future meetings.

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317. DEA/12386-10-40

Le sous-ministre des Pêcheries
au sous-secrétaire d'État aux Affaires extérieures

Deputy Minister of Fisheries
to Under-Secretary of State for External Affairs

CONFIDENTIAL Ottawa, February 10, 1956

Attention: Mr. T. LeM. Carter

Dear Sir,

I have your memorandum of February 8th† enclosing copy of Telegram No. 222 of February 7th from the Embassy in Washington relative to the latest developments at the Fur Seals Conference.

I think I should draw your attention to the fact that the information given in paragraph 2 of the Embassy's message is not quite correct. The Japanese Delegation has not reversed its position on the Canadian proposal which was submitted on January 16th. The Canadian proposal deliberately (to which the Japanese and United States Delegations agreed in private discussion prior to presentation of the Canadian submission) omitted stating the number of seals which should be taken pelagically for scientific purposes. It was intended first to try to obtain agreement from all Delegations on the principles set out in the proposal and if this were successful to then discuss details which would include a minimum figure as to the number of seals which should be taken pelagically in connection with the research programme. We were well aware of the need to pre-determine during the Conference at least the minimum number of seals to be taken pelagically in order to avoid transferring the basic argument from the Conference to the contemplated International Fur Seals Commission.

The draft Convention submitted by the United States Delegation on February 4th follows almost identically the proposals by Canada and Japan. The essential difference is that the United States draft Convention provides in the Convention itself a section detailing the numbers of seals to be tagged and the number to be taken pelagically in connection with the research programme. The other slight difference is that the United States draft Convention provides that the Commission may, after the first year of operation, modify the numbers to be tagged and taken pelagically. The Canadian proposal has envisaged a review of the research programme in all its aspects and assessment of the scientific findings at the end of three years of operation. This difference is not a major one and could no doubt be reconciled fairly readily with the United States and Japan.

The question, however, which will require our careful consideration is the writing into the Convention itself of a definite commitment to tag a certain number of seals and a specified number of seals to be taken pelagically. From the Canadian point of view this may not be desirable because it would mean we would be compelled, under the provisions of a Convention, to carry out certain research (i.e. the taking of a specified number of seals pelagically) which in turn would mean committing Canada to assume financial obligations. This procedure would be entirely different to any other Fisheries Convention to which Canada is signatory. Normally, the procedure is for a Commission to "recommend" research programmes to the contracting Governments. This allows the Government concerned to decide how much of a financial burden it will assume. It seems to us the implied financial commitments in the United States draft makes it necessary for us to discuss this phase with officials of the Department of Finance (Treasury Board) before we would be in a position to comment on the United States proposal.

In the meantime, however, I attach copy of the draft Convention submitted by the United States. I should appreciate having your advice as quickly as possible whether or not you consider that Cabinet instructions of November 23rd, 1955,[214] to the Canadian Delegation authorizing it to negotiate a fur seal convention empowers us to negotiate a convention which would include specific financial commitments envisaged in paragraph 3 of Article II and in paragraph 2 of Article III of the United States draft.

I felt it desirable to point out to you the situation which has now developed at the Fur Seals Conference and particularly to correct the impression that the Japanese Delegation has changed its position with regard to agreement with the Canadian proposal of January 16th.

Yours very truly,
G.R. CLARK

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318. DEA/12386-10-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 373 Washington, March 2, 1956

CONFIDENTIAL

NORTH PACIFIC FUR SEAL CONFERENCE

1. We are forwarding to-day all the minutes of the various meetings that have been held since our last report.

2. The Convention has now come to the place where all countries have agreed to consider the draft convention submitted by the United States Delegation, P. and D. COM/41, February 4, 1956, along with the amendments that have been submitted by each delegation and reviewed by the others. It took the USSR 3 weeks to get a reply from Moscow as to

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[214] Voir/See Volume 21, Document 490.

their instructions. It would appear that we have now reached the final stages of this convention, however, it does not mean to say that progress will be any quicker than has been the case previously. As an example, it took all one meeting to consider the preamble to the convention and even yet agreement has not been reached on the wording of this preamble. The diametrically opposed wishes of the USSR and Japan keeps raising its ugly head. An example of this is that it took at least 2 hours to decide on a substitution for the word "extensive" in the last sentence of the third paragraph of the preamble. The Russian amendment was to strike out this word entirely. The Japanese first position was to have it maintained. It is fairly obvious why the disagreement by the two countries on this word.

3. The Japanese do not wish to give way at all on their position of being able to take a fairly substantial quantity of seals pelagically for scientific purposes. The Russians wish to cut down this number and have proposed 1500 fur seals, whereas the Japanese are seeking 6000. In general it would appear that the USSR's chief preoccupation in the drafting of this convention is to arrive at an agreement which will prohibit pelagic sealing with the exception of such for scientific purposes and to cut the numbers down in this case as small as possible. The Japanese on the other hand are setting their emphasis on scientific investigation, presumably for the purpose of proving the point that commercial pelagic sealing will not be detrimental to the conservation of the seal herds. The US and Canadian positions seem to be similar; that is the drafting of a convention for the conservation of the seal herds, though we emphasize that due regard must be given to the maximum yield of the other living marine resources of the area in question.

4. It is known through private conversations outside the committee meetings that the Japanese question the integrity of the Russians. With this background knowledge it is even possible in the committee to see from the statements made by the Japanese that this situation exists. As an example, a difficult situation has arisen between the Japanese and the Russians with respect to paragraph 1 of Article V. The US draft proposes that all persons and vessels subject to the jurisdiction of any of the parties shall, during the period that the measures set forth in Article II, paragraphs 3, 4 and 5 are carried out, be prohibited from engaging in pelagic sealing ... the USSR amendment proposes that pelagic sealing be prohibited "during the validity of this convention". The Russians put up a very logical argument for this amendment which merely from the point of logic it would be difficult to gainsay. However the Japanese flatly refused to consider any amendment to the US draft. The reason lying behind this is that the Japanese wish to have some hold over the Russians regarding Article II and its requirements for scientific research. All along the Japanese have questioned the figures of population and the statements made by the USSR concerning the herds on the Commander and Robben Islands. It is their intention to maintain some reciprocal agreement in this respect.

5. As you can see, this presents those wishing to draft a convention with a very difficult position where the integrity of the signatories is in question. At this date it is difficult to say how long negotiations will continue.

319. DEA/12386-10-40

Note du chef de la Direction de l'Amérique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, American Division,
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], June 5, 1956

NORTH PACIFIC FUR SEALS CONFERENCE

You may recall that this conference has pursued its even tenor in Washington since last November 28. One obstacle to the conclusion of a convention was removed with the signature of the Soviet-Japanese salmon agreement in Moscow recently. It now looks as if the situation is ripe for agreement. The principal matter remaining to be settled is that of the minimum total of seals to be maintained in the Russian-controlled islands. The attached telegram, No. 1042, from Washington, sets out a formula on this question which has been agreed to by the Canadian, United States and Japanese delegations, and which is to be presented to the conference today. If the formula is accepted, it is expected that agreement will be reached on the remainder of the text of a new fur seals convention in short order.

T. LEM. CARTER

[PIÈCE JOINTE/ENCLOSURE]

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1042 Washington, June 1, 1956

CONFIDENTIAL. IMPORTANT.

NORTH PACIFIC FUR SEAL CONFERENCE

Following for G.R. Clark, Deputy Minister of Fisheries, Ottawa from Gilbert: Begins:

Confirming our telephone conversation of today, it has been agreed that A.P. and D. Committee informal meeting of the Fur Seal Convention will be held at 10:30 a.m. on Tuesday, June 5th. The proposal that is to be considered is as follows:

"(a) Whenever the total number of seals frequenting the Commander or Robben breeding grounds as enumerated by official count of the USSR falls below the level of population determined by the Commission to be on either island during the first year of entry into effect of the Convention, the commercial sealing may be suspended on such breeding grounds until such time as the number of seals again reaches that level of population.

(b) Whenever the commercial sealing is suspended under subparagraph (a) above, the pelagic taking of seals for scientific purposes in the western Pacific Ocean shall be discontinued for the period of the suspension.

(c) The Commission may, subsequent to the second year of operation of the Convention, modify, the floor figure set forth in subparagraph (a) above in accordance with its scientific findings; and if any such modifications are made, subparagraph (a) shall be considered amended accordingly."

We have made reservations for Monday evening June 4th for Mr. Ozere who, we understand, will be attending this meeting, at the Tabard Inn, 1739 N St. N.W. Place of meeting will be Room 219, Annex 7, State Department.

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320. DEA/12386-10-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1119 Washington, June 12, 1956

CONFIDENTIAL. IMPORTANT.

NORTH PACIFIC FUR SEAL CONVENTION

Confirming our telephone conversation of this afternoon the following is the text of the USSR revised proposal for Article III, paragraph 2 of the draft of the convention on fur seals of the north Pacific given at the meeting of the P and D. Committee today:

"2. A/ If the total number of seals frequenting the Commander Island breeding grounds decreases and falls below 50,000 head, enumerated by official count, then commercial sealing and apportionment of skins may be suspended by the Soviet Union until the number of seals again exceeds 50,000 head. This provision also applies to the fur seal herd of Robben Island, if the population of that herd becomes less than 50,000 head.

"The Soviet Union Government, suspending the mentioned sealing, notifies all the other participants of the Convention. In this case the Commission makes a decision about the reduction or the complete suspension of pelagic sealing for scientific purposes during the same period in the western part of the Pacific Ocean.

"B/ The Commission may, subsequent to the second year of operation of the Convention, modify the floor figure set forth in subparagraph "A" in accordance with scientific data received by it; and if any such modifications are made, subparagraph "A" shall be considered amended accordingly."

2. The delegates for Japan, the USA and ourselves asked that we be given time to study the USSR proposal and it was agreed that the P. and D. Committee meet again next Monday, June 18, at 2:30 PM.

3. May we be informed as to your instructions. If it is the intention to send someone from Ottawa to attend this meeting, may we be so advised in order that the necessary hotel reservation may be made.

321. DEA/12386-10-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1137 Washington, June 14, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Our tel 1119 Jun 12.

NORTH PACIFIC FUR SEAL CONVENTION

Following for S.V. Ozere, Assistant Deputy Minister of Fisheries, Ottawa from Gilbert

As I promised you yesterday, I investigated the USA opinion concerning Article III. They agree that on the face of it the Russians have come a long way to meeting our (Japan, USA and Canada) wishes and by so doing, have indicated a keen desire to conclude a convention. Like ourselves, they feel that the most difficult stumbling block to reaching final agreement has now been removed but if the USSR's past performance is taken as an indication of future behaviour, it won't all be plain sailing to draft the final text of the Convention.

2. Looney told me yesterday that obviously the USSR wording needs some polishing up and that it is the USA intention to add a sentence to the effect that the life of the Convention should be extended by an equivalent length of time for that period in which pelagic sealing for scientific purposes might be held in abeyance due to the drop in population of the seal herds on either the Robben or Commander Islands below the agreed floor.

3. When the aforementioned USA proposal was last discussed with the Japanese, they demurred but Shima, Looney and myself are having an informal get together tomorrow morning and if Shima indicates the Japanese stand towards this USA proposal and should any other information of significance come out of the meeting, I will advise you tomorrow afternoon.[215]

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[215] La délégation japonaise a accepté la proposition de l'Union soviétique, modifiée selon les recommandations des États-Unis, et après de longues négociations au sujet du projet de convention des États-Unis, le Comité des principes et de rédaction a finalement présenté un texte approuvé le 17 décembre 1956, à sa 81e réunion. Pour le texte définitif de la Convention intérimaire sur la conservation des phoques à fourrure du Pacifique Nord, voir Canada, *Recueil des traités*, 1957, N° 26.

The Japanese delegation accepted the Soviet formula as amended by the U.S. suggestion, and after lengthy negotiations over the American draft convention, the Principles and Drafting Committee finally produced an agreed text on December 17, 1956, at its 81st meeting. For the final text of the Interim Convention on Conservation of North Pacific Fur Seals, see Canada, *Treaty Series*, 1957, No. 26.

11e PARTIE/PART 11

BANDE CÔTIÈRE DE L'ALASKA
ALASKA PANHANDLE

322. PCO

Note du secrétaire d'État aux Affaires extérieures
et le ministre des Affaires du Nord et des Ressources nationales
pour le Cabinet

Memorandum from Secretary of State for External Affairs
and Minister of Northern Affairs and National Resources
to Cabinet

CABINET DOCUMENT NO. 124-56 Ottawa, May 29, 1956

CONFIDENTIAL

PROPOSALS FOR "CORRIDORS" ACROSS THE ALASKA PANHANDLE

Proposals

Proposals have been made, from time to time, that Canada should ask the United States for "corridors" through the Alaska Panhandle to facilitate the economic development of northwestern British Columbia and the Yukon. Interest in these proposals has been revived in the past two years. On February 8, 1954, the Minister of Northern Affairs and National Resources, in reply to a question in the House of Commons, indicated that the Government did not see adequate reason to initiate discussions with the United States and that present and prospective development in the Yukon did not require provision of "corridors". On April 12, 1956, the Member for Yukon requested in the House of Commons that the Secretary of State for External Affairs open negotiations with a view to securing four "access-ways" on a 99-year lease or easement basis. There has been widespread public discussion of this proposal including suggestions, both in Canada and in the United States, of the concessions that might be made by Canada in some "deal" for corridors. It is becoming increasingly desirable that the Government should make clear its position on these proposals.

2. An interdepartmental committee, consisting of representatives of the Department of External Affairs, Northern Affairs and National Resources, Trade and Commerce, Mines and Technical Surveys, Transport, Labour and National Revenue has examined the problems arising from existence of the Panhandle and considered the various proposals for "corridors".

Corridor Proposals

3. The various proposals for corridors have not been altogether clear in their details, but they have usually taken one or another of three forms.

(a) *True corridors in the European sense.* It has been suggested that three or four corridors might be needed through the Panhandle. Each corridor would be a strip of land from the sea to Canadian territory which would be given to Canada either in perpetuity or on a very longterm lease — say, 99 years. The strip would be wide enough to carry a road and/or a railway and at its seaward end would cover a large enough area for a port.

(b) *Exterritorial or special Canadian rights in a port or ports in Alaska and free transit for people and merchandise from the port to the Canadian border.* What is entailed in these "rights" has never been precisely defined, but they would clearly include the application of Canadian Customs and Immigration laws for goods and people passing through the port en route to Canada, and also the application of Canadian labour laws and the right to use Canadian labour unions for workers servicing either Canadian ships in the port or transportation services from the port to the Canadian border.

(c) *Free ports.* These would be established in a case such as Skagway. A free port would presumably be a segregated area within the main port where goods destined for transshipment to another country would be landed and stored until they were transshipped. No U.S. customs duties would be charged on any goods disembarked into the free port and transshipped to Canada from it.

Problems Created by the "Panhandle"

4. There is no doubt but that the existence of the "Panhandle" of U.S. territory between the Yukon and Northern B.C. and the coast does create a number of problems. For the most part, however, they do not appear to be as serious as the proponents of the corridor schemes have suggested nor do they appear to be any more likely of solution by any corridor plan than by other and simpler administrative arrangements. The principal problems appear to be the following:

(a) *Movement of Goods*

Goods now move in bond through the Panhandle by reciprocal arrangement and in accord with the provision for freedom of transit under Article 5 of GATT. Considerable inconvenience is alleged to exist in clearing such goods through the United States Customs at Panhandle ports. The committee found that present arrangements for shipping and clearing goods generally do not present any serious problems in cases where an established traffic exists — such as from Skagway to Whitehorse. The arrangements are similar to those applicable to in-transit border traffic elsewhere in Canada. There is, however, a problem in some areas where there is no established traffic and where Canadian and U.S. Customs offices do not exist on the spot. Individual mining companies are required to pay for the services of special Canadian Customs Officers. A similar situation exists elsewhere, for example, lumber operations on the Quebec-Maine border. However, this particular difficulty would end as development proceeds for, with growth in traffic, the Department of National Revenue would increase the number of Customs offices. Furthermore, air transportation, particularly of prospectors — and their supplies — is assuming increasing importance. Since air transportation permits direct movement between Canadian points, it may be expected to reduce the difficulties in movement of goods (and persons) in cases where customs and other facilities do not exist.

It does not appear that any variant of corridor would help with such problems as exist. "Corridors" are not required in those areas where there is established traffic since the bonding arrangements present no special problems. A "free port" would simply add to the complications and the costs, because it would have to be guarded and policed, and goods moved from it to Canadian territory would have to be bonded in any event. "Corridors" would be of no substantial assistance to areas without established traffic, since presumably they would not be created unless there was, or was expected to be, a substantial traffic. In any such place customs services and bonding arrangements could be made available, and the problems would disappear.

(b) *Movement of Persons*

There is alleged inconvenience in clearing passengers through United States Immigration but the committee could not find that any special difficulties of serious consequence exist. There have been no difficulties in the case of Canadian and United States citizens. It has been reported that there have been some occasions when residents of Canada who were not Canadian citizens — and who require transit permits — have been refused entry by United States Immigration officials. As in the case of goods, increasing use of air transport will help to remove such difficulties as have arisen.

If there are any problems of consequence (which has not been shown) it seems apparent that they can be met as readily by administrative arrangements as by any corridor plan.

(c) *High Wage Costs and Other Problems of United States Labour Unions*

The high wage rates — higher than in Canada — and working conditions imposed by the stevedore union at Skagway — and other ports — add to the cost of handling goods. A railway strike at Skagway last fall tied up transportation into and out of the Yukon. It has been suggested that wage costs could be reduced and labour problems minimized if the workers handling the unloading, etc. could be in Canadian unions and subject to Canadian wage rates, etc.

There is some doubt whether United States labour unions do in fact make for a more difficult situation than would Canadian unions. Also there is a tendency toward equalization of wage rates in the two countries and increased mechanization will serve to reduce high labour costs. However, assuming that the problems are valid, they might be solved by a true "corridor", because the port would then be Canadian territory and the unions would be Canadian unions. They probably would not be solved, or even alleviated, by exterritoriality, because it seems virtually impossible that a Canadian union could exist and could operate at Canadian wage rates in an American port where American unions might also be operating at American wage rates. A free port would not help the labour problem at all.

(d) *Shipping Problems from the "Jones Act" (U.S. Merchant Marine Act, 1920)*

This Act prevents vessels other than American from carrying merchandise or passengers between points in the United States, even via a foreign port such as Vancouver; this prevents Canadian vessel participation in traffic, initiating in the United States, even from a Canadian port to an Alaska port and places other obstacles in the way of Canadian shipping in U.S. territory and the repair of American vessels in Canadian shipyards. This Act is clearly an irritant to Canadian shipping and ship repair interests, but it is not clear that it represents a serious obstacle to the development of those regions in Canada which are served by Panhandle ports. The one instance that has been specifically cited is the shipment of copper concentrates from the Consolidated Mining and Smelting mine at Tulsequah to Tacoma, Washington. Both the zinc and copper concentrates are shipped down the Taku River in shallow draft barges and are transferred to deeper draft barges at Taku Point, which is within the United States. The Straits Towing Company carries these concentrates down the coast in Canadian bottoms. They have had no difficulty with the zinc concentrates, which are landed at Vancouver, but they have had difficulty with their copper concentrates which are shipped directly to Tacoma, Washington. U.S. authorities have ruled that since these concentrates would be carried between two U.S. ports — Taku

Point and Tacoma — they must be shipped in U.S. bottoms. The Straits Towing Company have got around this restriction by carrying the concentrates from Taku Point to Vancouver in one barge and there transshipping them to another barge for carriage to Tacoma, but this transhipment costs an additional 75 cents per ton.

Any one of the three corridor variants *might* help with this problem. However, it is anything but clear that it is a serious problem. Moreover, if the U.S. were prepared to make special exceptions to the "Jones Act" for goods shipped from a "corridor" port in Alaska, it seems highly probable that they would be just as likely to make the exception, as a special arrangement, without the "corridor".

(e) *Hindrance to General Economic Development.* Existence of the Panhandle may have some general inhibiting effect on economic development because of the psychological deterrent to mining operators who tend to be reluctant to undertake operations through foreign territory. While the Government of Canada has received no official notice from the Government of British Columbia that the Panhandle hinders development of the northwestern part of the province, Premier Bennett, in a speech at Victoria on May 14 to the Pacific Northwest Trade Association, has referred to the province's need "of an outlet to the Pacific through the Alaska Panhandle".[216] As far as prospecting is concerned, however, it can be operated on the basis of air transportation and the Panhandle has no effect for that purpose. It is not at all clear that the Panhandle has had or will have any substantial effect on the pace of economic development. Nor does it appear that the concession of two or three corridors would affect the matter significantly. The country is very rugged and, except in the region tributary to Skagway, each corridor would give access to a somewhat limited area. A few corridors would not open up the whole hinterland, as is sometimes implied.

The Price of "Corridors"

5. It has been made clear in many of the comments by United States newspapers, and from other sources, that corridors are seen by them as part of an arrangement under which Canada would give in exchange rights of value to the United States. What is most frequently mentioned is some share of Canadian water resources (presumably the diversion of water from the Yukon River to the Skagway area) or the development "of the entire northwest as an economic unit". Any price along these lines would be extremely high in the long term. It is the sort of thing that could be contemplated only if it were established that the Panhandle has extremely injurious effects on the region behind it and that the only way of removing those effects would be through the negotiation of some corridor arrangement. Neither seems to be the case. It is, however, quite undesirable, particularly at a time when important discussions are about to be undertaken with the United States on water problems, to allow the impression to continue that Canada has an important interest in securing corridors and that possibly they can be made the means of getting substantial concessions from this country in return.

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[216] Pour un résumé de l'allocution de Bennett, voir le *Victoria Daily Colonist*, le 15 mai 1956.
For an account of Bennett's speech, see the *Victoria Daily Colonist*, May 15, 1956.

Possibility of Further Studies

6. If the Cabinet deems it desirable that further study be given to the matter, this study, in the view of the committee, could be carried out either by a Royal Commission or by the Department of Northern Affairs and National Resources, in co-operation with the other interested Government departments. An international committee of local residents, as advocated by the Member for Yukon and others, is not, in the opinion of the committee, a suitable agency for this purpose.

It is recommended, that a statement of policy be made soon on behalf of the Government in terms along the lines of the attached draft.†[217]

L.B. PEARSON
JEAN LESAGE

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[217] Approuvé par le Cabinet le 2 juin 1956. Pour obtenir la déclaration faite par Léger au Comité permanent, voir Canada, Chambre des Communes, Comité permanent des Affaires extérieures, *Procès-Verbaux et Témoignages*, N° 16, 21 juin 1956, pp. 12 à 13.

Approved by Cabinet on June 2, 1956. For the statement that Léger made to the Standing Committee, see Canada, House of Commons, Standing Committee on External Affairs, *Minutes of Proceedings and Evidence*, No. 16, June 21, 1956, pp. 431-433.

CHAPITRE II/CHAPTER II

EUROPE DE L'OUEST
WESTERN EUROPE

PREMIÈRE PARTIE/PART 1

LE MARCHÉ COMMUN ET LA ZONE EUROPÉENNE DE LIBRE-ÉCHANGE
COMMON MARKET AND EUROPEAN FREE TRADE AREA

323. DEA/11143-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 1769 London, December 30, 1955

CONFIDENTIAL

WESTERN EUROPEAN INTEGRATION: COMMON MARKET PROPOSALS

1. As you have learned from several quarters, the United Kingdom, perhaps prematurely, has taken up a very definite position on the common market proposals. This is that, by reason of its Commonwealth ties, the United Kingdom cannot itself participate in a common market and that, if progress is in fact to be made toward a greater measure of unity in Europe, the common market scheme must somehow be fitted into the broader European context.[1] While there is nothing in this position which is inconsistent with the terms on which the United Kingdom agreed to participate in the preliminary discussions at Brussels, its communication to the six governments busy trying to implement the Messina resolutions has proved pretty upsetting.

2. As far as I can see, the two steps which the United Kingdom has recently taken in relation to the common market proposals follow fairly directly from the premises on which the United Kingdom position is based. Looked at from London, participation in the plans for a common market would mean that the United Kingdom would have to accept an eventual commitment (i) to remove the preferential margins which it has promised Commonwealth producers to preserve, and (ii) to withdraw from overseas producers the assurance of tariff free entry of their products into the United Kingdom (except in the unlikely contingency that it would be able to persuade its partners in the common market project to place all Commonwealth products now admitted free of duty into the United Kingdom on a general European free list).

3. In informing the Six Powers that the United Kingdom would not be able to join the common market scheme, it was intended only to reaffirm, at a time when practical proposals were on the point of formulation, a proposition which had been made clear from the

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[1] Pour les observations préliminaires du Canada sur la position du Royaume-Uni, voir le volume 21, document 495.
For preliminary Canadian observations on the British position, see Volume 21, Document 495.

outset. And in carrying the common market issue into the OEEC forum, I assume that the United Kingdom wished to ensure not only that there was no duplication of functions but that the common market initiative would not split the OEEC wide open at a time when, in any case, that body is finding itself short of fresh avenues of activity.

4. The United Kingdom position and the steps by which it has recently been reiterated have naturally occasioned some resentment among the Six Powers and notably on the part of Spaak and Beyen. Just as there is a feeling on the part of the United Kingdom that the common market proposals should be considered in the OEEC forum before firm and irrevocable decisions have been taken at Brussels, so the Six Powers feel, not perhaps without justification, that the United Kingdom initiative at this stage was unhelpful and that it was deliberately intended to frustrate the common market proposals before final shape could be given to them. There is, of course, little advantage in the kind of mutual recrimination to which all this is bound to give rise and which is already threatening to spill over into organizations like the OEEC and NATO in which we are directly interested.

5. I gather from the minutes of the Continuing Committee and from your statement at the NATO Council meeting[2] that you are not entirely unsympathetic to the views of the United Kingdom. On the political plane we are naturally bound to favour any initiative which is designed to contribute to the greater strength and unity of Western Europe and which, in the process, weaves a fabric in which Western Germany can be firmly held. This has also, of course, been the traditional United States position. If our support for closer integration in Western Europe has been, on the whole, less forthright than that of the United States, it is because of our relatively more exposed trading position and the correspondingly greater injury which a closed economic system in Western Europe might do to our trading interests. It is on these general grounds that, as I understand it, we have tended to look warily at the current proposals for the creation of a common market.

6. There is no doubt a danger that a common market in Western Europe might tend to reinforce the existing pressures for protection in some of the participating countries. This implies a real possibility that the common market, once it has come into being, might be used as an excuse to justify the continuation of discrimination against dollar imports even after the balance of payments justification has ceased to be valid. If these dangers were of a temporary nature they should not, in themselves, seriously vitiate the general arguments in favour of the closer economic integration of Europe. But we do not, of course, have any assurance at this stage that the common market initiative may not bog down somewhere along the fifteen-year course which has been charted for it. If this were to happen, we might well be left in a position which was rather less favourable than our position at the present time when there is at least no serious retrogression from the objective of a freer world system of trade and payments.

7. However legitimate our fears about the effects of a common market may be, I hope very much that this will not prevent us, when the time comes, from taking a reasonably constructive line on the proposals which are now being developed. These proposals like those for the establishment of EDC, were received with a good deal of scepticism when they were first launched. They have now reached the stage where scepticism has given way to concern about their practical implications. This development is, I think, in itself evidence that the practicability of the common market scheme in one form or another is being taken much more seriously than it was a year ago.

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[2] Voir/See Volume 21, Document 239.

8. I have been wondering in what form it might be possible for us to support the common market initiative without at the same time jeopardizing our own trading interests. My first thought has been that it might be possible to encourage progress toward the common market goal by way of a free-trade area; i.e. members of GATT not taking part in the six country exercise could agree not to claim the generalization under MFN of tariff reductions looking toward tariff removals that the six countries might wish to apply inter se. By the same token they would not be asked to agree to any increase of tariff rates against their products imported into the six countries. This would permit a commodity by commodity approach under which tariffs and other barriers to trade within the area could be abolished first perhaps on the bulkiest commodities such as fuels and building materials, without, initially at least, any alteration of tariffs against imports from seventh countries. Such a procedure should not, at the outset in any case, require the imposition of any internal re-export controls because transportation and handling costs are likely in such commodities to neutralize whatever tariff differentials there might be between existing national tariffs. The freedom of internal movement which already exists for steel and coal, coupled with similar freedom of movement for cement, lumber and similar bulky commodities, would tend in due course to equalize basic costs in certain sectors of the economies of the participating countries and this, in turn, should facilitate further progress toward the common market goal. Atomic materials could also, I assume, be freed without much difficulty since none of the countries participating in the common market is likely to be interested in putting its atomic industry at a disadvantage by levying high tariffs.

9. Any move along these general lines should serve to lessen rather than increase the element of restriction on imports from outside the common market area. Participating countries which were given a free hand to reduce or remove tariffs inter se, but were debarred from raising tariffs against non-participating countries, might soon find themselves subject to strong local and internal pressures to reduce their tariffs against non-participating countries in order to preserve the competitive position of their ports and transportation systems. Developments in this direction should prove attractive to the United Kingdom with the advantage it implies of more ready access to the prosperous market of Western Europe at a time when Sterling area trade is showing obvious signs of lagging behind the trade of the great industrial regions of Europe and North America.

10. I understand that there may be two objections to a scheme of this sort. The first is the fairly unanimous view among the six countries concerned that the sense of the Messina decisions implies the formation of a customs union. The Dutch, in particular, are evidently attached to the concept of a customs union in which they hope to play the part of the merchant and intermediary. The kind of scheme which I envisage is not, however, susceptible to objection on this scope. It is obviously a transitional scheme and as such is designed to facilitate the eventual establishment of a customs union rather than to frustrate it. Since it does not imply any form of internal re-export controls from the outset, it should also go some way toward meeting the Dutch position.

11. The second objection arises from the fact that the scheme entails progress by sectors. This is an approach which has not generally commended itself to the Messina powers and the Germans, specifically, have taken exception to it. It is, of course, by no means unlikely that, at one stage or another, there would be difficulty over the order of priority in which commodities should be freed from internal controls and tariffs. But I think that this kind of situation is equally likely to arise on the basis of the proposals which are currently being discussed at Brussels. It is, in fact, already clear that one sector, namely agriculture, will prove to be obdurate and will have to be left till reasonably near the end of the period over which the common market is to be established. In any proposals which it is intended to

implement over fifteen years, it is the start which is important and difficult, and I feel that something like this would provide a relatively smooth, if slow, start.

12. Whether a start is made by way of a free-trade area or whether some steps are taken from the outset to rationalize external tariffs with a view to the eventual achievement of a full customs union, I am inclined to think that we need not be too rigidly guided by the provisions of Article XXIV of the GATT. The article obviously poses only minimum conditions and its very wording that "the provisions of this agreement *shall not prevent* . . . the formation of a customs union or of a free-trade area" makes it clear that the contracting parties are left with a good deal of discretion in the matter.

13. Would it not be possible for us, therefore, to put our price for a waiver somewhat higher than the minimum terms set out in Article XXIV (5) of the GATT? What I have in mind is that we might require the countries proceeding toward a common market to undertake simultaneously to lower their external tariffs over a period of years under some such automatic formula as that put forward by the French in 1951. This would, I think, have certain immediate advantages. It would ensure that the common market initiative in Western Europe falls into place among the other measures which are being taken to free world trade. It would meet the position of the Benelux countries who have little inclination to raise their domestic costs by increasing their tariffs to suit the French. It might also, possibly, attract the Scandinavian countries into the common market. In terms of the common market countries themselves, of course, it would have the effect of automatically narrowing the differentials in their respective tariff levels while lowering the height of the fence which separates them from the world outside.

14. While the tariff reduction formula might be thought of as applicable in the first instance only to the countries of the common market, it would obviously be much more acceptable to them if it were taken up generally as part of a wider initiative toward lowering tariff barriers. This would depend, of course, on the attitude of the United States, but it is not impossible that this is a price which the United States would be willing to pay for a stronger Europe, especially since it could be shown to Congress that the formula satisfied the requirements of reciprocity.

15. At this stage, I think it important that we should not commit ourselves to a purely negative position which, as the experience of the United Kingdom has already shown, will earn us little sympathy in Europe and which may be blamed for their failure to get together on a common policy. I fully recognize the dangers which the common market proposals imply for Canadian interests, but I have a feeling that these dangers could be neutralized and the common market initiative turned to advantage by correlating it in one way or another with the collective approach to a freer trading world to which we are already committed.

N.A. ROBERTSON

324. DEA/11143-40

Le secrétaire d'État aux Affaires extérieures
au ministre des Affaires étrangères de la Belgique

Secretary of State for External Affairs
to Minister of Foreign Affairs of Belgium

PERSONAL AND CONFIDENTIAL Ottawa, January 9, 1956

My Dear Spaak,

I had been hoping that the recent North Atlantic Council Meeting would have given me an opportunity of discussing European Integration matters with you. Unfortunately that Session — as usual — was so rushed that we had little or no chance to talk privately as the Council Meetings scarcely scratched the surface of the subject, so I hope you won't mind my writing to you informally to ask you how your mind is running on these questions to which you have been devoting so much thought and energy.

I think I understand the reasons for not launching a full-dress NATO discussion of the plans of the Messina countries at this time. Nevertheless as you probably gathered from my own statement on Article 2, I had hoped, without taking sides, to provoke more of a real exchange of views than actually took place. The Canadian Government is rather of two minds, insofar as we are concerned with the question of, for example, a common West European market; but I have the impression we may not have given sufficient weight, from the broad political point of view, to the reasons which are prompting the Messina countries to attempt further economic integration. You have been very helpful to us here in keeping Hébert fully informed on these developments, but I should be very grateful if you ever had time to give me in writing on a personal and confidential basis, some indication of your present thinking, particularly on the political aspects of your Messina endeavours.

We have, of course, been sounding a note of caution for some time on possible economic implications of the various regional European schemes that have at one time or another been discussed. This is partly, not exclusively — though it may be primarily, because of the way in which they might affect Canadian economic interests. We have also wondered about the consequences for the economies of the countries directly involved. That is, of course, for them to judge. In any case I want to tell you that, while not unmindful of questions of economic policy, I am also very interested in the political possibilities of closer association between the countries of Western Europe in fields in which they feel they can integrate their activities to their mutual advantage. I do not therefore want to take a narrow view of such undertakings as the establishment of a European Atomic Agency or of a common market for a large part of Western Europe.

With my very best wishes for the New Year,

Sincerely yours,
L.B. PEARSON

325. DEA/11143-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et l'OECE
au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs

TELEGRAM 64 Paris, January 13, 1956

CONFIDENTIAL

Reference: London Telegram 1769 of December 30.
Repeat London No.1; Washington No. 1.

WESTERN EUROPEAN INTEGRATION: COMMON MARKET PROPOSALS

We have carefully studied Mr. Robertson's thought-provoking telegram 1769 of December 30. Mr. Wilgress has not yet seen it, but as he will not return to Paris until the last week of January, we are sending you some Delegation views on which Mr. Wilgress may wish to elaborate later.

2. We are in agreement with Mr. Robertson's objective of seeking a method of neutralizing the dangers of a Common European Market and of turning it to advantage by correlating it in one way or another with the collective approach to a freer trading world. It goes almost without saying that, given the political desirability of and support for European unification, we should look very carefully into all possibilities for securing this objective including an initiative directed toward increased European trade if this result will not unduly harm us or our multilateral objectives embodied in the GATT and IMF. Another question which may at least be worth considering is whether there are any realistic measures which we and other non-participating countries could take to prevent the Messina powers from forming a common market if they should decide to do so. If the answer to this question is that the common market could not be prevented by external pressure, then the range of policies which could be adopted by non-participating countries is narrowed considerably.

3. Since we are bound to favor any European initiative which is designed to contribute to the greater strength and unity of Western Europe and since provision is made in the GATT for the formation of customs unions and free trade areas it would appear extremely difficult to oppose categorically the Messina common market initiative. We are in complete agreement with Mr. Robertson's assessment of the dangers of the common market reinforcing existing pressures for restriction and of its bogging down after one or two stages of the fifteen year transitional period and in effect turning into a permanent or semi-permanent protective area. Our experience in dealing with the European countries concerned suggests that this result would be almost certain. Even if you share this categorical and pessimistic view, however, it would be quite unrealistic to suggest that this could be used as an effective argument for opposing the initiative for a Common Market. Our conclusion is that we would have no substantive grounds for opposing the institution of a common market provided that the Messina powers agreed to act in accordance with the provisions of GATT and because of our NATO association we would be unwise to take too negative an attitude.

4. This line of reasoning leads us back to Mr. Robertson's advice that we should seek to neutralize the dangers which the common market implies for Canadian interests and turn it as far as possible to advantage. A point worth remembering is that, although the common

market is being taken seriously, there is still a strong possibility that the Messina governments will find it impossible to reach agreement among themselves on specific proposals. If the wind seems to be shifting in this direction, it would be important to consider what alternative initiatives might be put forward whose probable effects would be more in keeping with the objectives of the GATT and which would tend to redirect European thinking into multilateral channels. The common market initiative may, at least in part, be the result of the lack of recent new initiatives in the wider organizations.

5. If, on the other hand, the acceptance of specific proposals seems likely, we would agree that the question of how best to link the common market to the broader objectives of GATT and turn it to advantage should be carefully considered. Mr. Robertson, in his telegram, has made some interesting suggestions in this connection on which we are making some preliminary comments.

6. With regard to the first proposal that progress toward the common market might be encouraged by way of a free trade area in accordance with Article XXIV (5)b of GATT, we are not convinced at first glance that Canadian interests would necessarily be better protected by a free trade area than by a customs union. This would surely depend on the level of the common external tariff under a customs union, and, more particularly, the relative levels of the tariffs on our main exports. It is surely difficult to be categorical about such a question. It would appear that the main advantage of proceeding by way of a free trade area would be that the external barriers would not be changed and therefore could not be increased although our competitive position would worsen to the extent that internal tariffs were reduced.

7. We are also hesitant about the view that, if a free trade area were put in operation "participating countries ... might soon find themselves subject to strong local and internal pressures to reduce their tariffs against non-participating countries in order to preserve the competitive position of their own ports and transportation systems". Presumably this pressure is only likely if commodities are re-exported from one member country (with a low external tariff) to another member country (with a higher external tariff). But there are other pressures that would seek different solutions. The industries producing the imported commodities would be likely to demand protection and insist that the re-exporting member country should apply re-export controls. If re-export controls were ineffective or cumbersome, another solution might be a move to institute a common tariff and the net result might be to raise the external tariff of the low tariff country. Another consideration is that the rate of reduction of the internal tariffs may be affected if the external barriers are reduced so thus even the low tariff countries may be subject to conflicting interests. This is a complicated subject, and all we wish to point out is that economic forces could pull two ways — for the maintenance as well as for the reduction of the external tariffs of the high tariff members.

8. The Common Market Commission in Brussels considered the question of the timing of the institution of a common external tariff at some length. We reported in our letter 3632 of November 24† (paragraph 11) that some of the experts were in favour of maintaining national external tariffs until the final stages of the transitional period and were prepared to envisage re-export controls to prevent trans-shipment. It is difficult to envisage any very great priority being given by the common market countries to the formation of a common external tariff. The interests of both high and low tariff countries would probably make them postpone this step as long as possible; i.e., the low tariff countries would be loath to increase their costs by increasing their external tariffs while the high tariff countries would not wish to lower external protective barriers at a time when the effects of lowering the internal tariffs would be uncertain.

9. For these reasons, we would think that if a common market were, as seems likely, to be directed toward the goal of a customs union, it would probably, in practice, take the form of a free trade area during a considerable part if not all of the transitional period. After careful consideration of the Canadian interest, we might, if we considered it desirable, stress that the timing of the introduction of the common external tariff should be delayed. In this connection we feel that we should also stress the need for procedures for close consultation between countries affected by the tariff changes through the wider organizations. A final thought that occurs to us is that there may be danger in delaying the institution of the common tariff too long in view of the risk that such consultation would devolve into a process of bargaining vis-à-vis seventh countries.

10. Mr. Robertson's second suggestion is that we should raise the price of a GATT waiver by obliging the countries proceeding toward a common market to undertake simultaneously to lower their external tariffs over a period of years under an automatic formula. While it is not difficult to agree that this would be an ideal arrangement from our point of view and while agreeing that we should try to set our price as high as possible, we have hesitations about the practicability of asking so high a price. We feel that it would be difficult on legal grounds to refuse a waiver, if the common market countries agreed to act in accordance with Article XXIV and gave assurance of consultation. We cannot help thinking that it would not be realistic to attempt to exact an automatic reduction of the external tariff (or tariffs) of the common market countries and most unlikely that they would be able to accept such a price unless of course the United States and other countries were prepared to adopt similar automatic reductions for their own tariffs. We feel that the question of the reduction, apart from the consolidation, of the external tariff or tariffs should be considered as a separate issue and could not, for political if not legal reasons, be linked in more than general terms with the granting of a waiver. However, the whole question of the acceptable price for a waiver would have to be considered nearer the time for granting it when the situation would be clearer and the foregoing must be considered only as our preliminary thoughts on Mr. Robertson's provocative suggestion. One final idea which occurs to us is that, in the event that we might not find it feasible to require an automatic reduction of external tariffs in return for a waiver, we might well require an abolition of remaining QR's either on an automatic or near automatic basis.

11. A point of some importance which we have been considering for some time concerns the effect of the introduction of a common market on other international organizations and more specifically the part we play in them. We have not considered in any detail the effect on GATT of setting up a regional block of this size and consequence but the effect could obviously be harmful. OEEC poses a different problem. Regardless of what organizational arrangements were agreed to administer the common market, it may be anticipated that the OEEC would play an important continuing role by providing a forum for trade and payments negotiation aimed at fitting little Europe into the broader European context. The present policy of the United Kingdom seems to be to draw the Messina initiative into the OEEC and use this forum either to kill it or to modify it in such a way as to protect their trading interests. Other non-Messina countries can be assumed to be equally concerned to do this.

12. While it would be hazardous to guess what the organizational outcome would be, we think it is fair to anticipate that OEEC would take on a degree of permanence in the trade and payments field which we have never foreseen. We may be faced with important continuing negotiations in OEEC whose results might be of the greatest interest to Canada. For political reasons we should probably welcome a continuation of such broader European negotiation and from the point of view of our trading interests we might wish to

consider whether we should not make more use of this organization as a forum for negotiation in the company of other European countries to which the common market countries are likely to be better disposed than toward the GATT membership at large.

13. While it is much too soon to see clearly what our interest would be, we feel we should not overlook the possibility that the OEEC (and perhaps primarily the OEEC) as well as the GATT may be an important forum for negotiation on matters directly affecting us for a long time to come if the common market is agreed.

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326. DEA/11143-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], January 31, 1956

MR. SPAAK'S REPLY TO YOUR LETTER OF JANUARY 9 ON WESTERN EUROPEAN INTEGRATION[3]

I am enclosing a rough translation prepared by European Division of Mr. Spaak's very interesting reply to your letter on Western European Integration.

If you have no objection, we should like to circulate your exchange of letters to the Prime Minister, Mr. Harris, Mr. Campney and Mr. Howe.[4]

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Le ministre des Affaires étrangères de la Belgique au secrétaire d'État aux Affaires extérieures

Minister of Foreign Affairs of Belgium to Secretary of State for External Affairs

SECRET Brussels, January 27, 1956

WESTERN EUROPEAN INTEGRATION
TRANSLATION OF MR. SPAAK'S REPLY TO THE MINISTER'S LETTER OF JANUARY 9[5]

I received your letter of January 9. It is with the greatest pleasure that I am going to try to reply to your various questions, for I am glad to be able to convey to you my feelings on problems which seem to me of the greatest importance. Would you please consider what

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[3] Note marginale :/Marginal note:
Mr Pearson — A reply to Mr. Spaak is in process of preparation and should reach you in the next day or so. O.W. D[ier]

[4] Note marginale :/Marginal note:
I don't think we should indicate the name of the author in any circulation — merely an important European political leader and a proponent of the Messina plan! We might also send a copy — very confidentially — to N.A. R[obertson]. [L.B. Pearson]

[5] L'appel dans le document original disait « Mon cher Pearson ».
The salutation in the original read "Mon cher Pearson".

I write as confidential and as reflecting only my own views, for I am not absolutely sure of conveying exactly the thought of all my colleagues in the Belgian Government nor that of my colleagues, the Ministers of Foreign Affairs who met in Messina.

As you have correctly understood, the question of European integration must be examined from two points of view: political and economic. To me the one is as important as the other.

I do not need to tell you at length that the political situation of Europe is to me rather disquieting. At the moment of writing we do not know what will be the new French Government. Above all we do not know if this new French Government will have any stability. It seems to me difficult to avoid a Republican Front government, since the passions released in the course of the electoral campaign are still warm. But I doubt that such a government, which represents barely a third of the Assembly, could really resolve the few basic and very difficult questions which present themselves to France: the question of Algeria, the reform of institutions, the relaunching of Europe. I think that this attempt of the Republican Front will be short. Will it be succeeded by an attempt to form a National Union government? No one yet knows, and as I do not think that the newly elected Deputies will be inclined to face their electors again at an early date — a pessimistic but unfortunately a serious possibility — we are compelled to foresee for France a new period of political instability. That new test could be serious. Recent events have shown sufficiently clearly that there is already profound disaffection for French institutions in a large segment of the population. If political juggling continues this could lead very far.

This relatively serious situation which exists in France naturally has repercussions on the whole equilibrium of Europe. To the extent that France becomes politically weaker I think that there is — and this is easily understandable — a feeling in the United States tending to rely more on Germany. This constitutes a break in the equilibrium.

Unlike France, Germany is at present very stable politically and in a period of full economic expansion.

During the years of the vigorous and courageous leadership of Chancellor Adenauer, German policy has been directed wholly towards the Atlantic alliance and European integration. The discordant views of the German Socialists are explainable more in terms of domestic politics than from any fundamental opposition to the aims of foreign policy. For several months I have had the impression that it is no longer quite like that. Certain elements of the population in Germany are already slightly inebriated by their economic recovery and are also speculating on the political weakness of France, thus permitting to appear the first signs of a nationalism whose effects we know too well. This resurgent nationalism is complicated by the fact that a basis for it could be found in a *rapprochement* with the Russians. The German Nationalists consider themselves more intelligent and more clever than the Communists. They are not afraid of contacts and discussions. For my part, I am not sure that it would be possible for them to manoeuvre and I am afraid that these contacts could lead to very important and very big consequences for Europe.[6] It is on the basis of these two essential ideas, the situation of France and that of Germany, that I reach this strong conviction that we must as soon as possible and in as decisive a way as possible integrate Germany into a European organization and by means of European integration into NATO. It is not a question of putting on the brakes on German expansion but it is a question, however, of placing it in a framework in which its expansion does not constitute too great a danger to its neighbours. I can imagine no other policy towards Germany. We would then have only to submit to events. I am convinced that we have not much more time before us. If Chancellor Adenauer should for one reason or another be removed from active politics, the bad tendencies that I perceive in Germany would very certainly develop. In this connection, look at the positions already being taken on certain questions by the F.D.P.

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[6] Note marginale :/Marginal note:

Mr. Spaak gave no expression, however guarded, of these worries at the last NATO meeting. [L.B. Pearson]

As I have mentioned above, these efforts towards European integration have also their economic justification. It seems clear to me that the economic future belongs to the large population groupings. I am absolutely sure that if we succeed in creating a European market of 150 million people (that is about the population of the six countries of the Coal and Steel Community) we would witness a basic renewal and that completely fresh possibilities would emerge. I am, of course, aware of the fact that if a new economic community of this importance were to come into being it would present problems for the other European countries of the Continent and, of course, for the United Kingdom, as well as for the United States and Canada. What I wish to underline at present is that among the advocates of this integration there is no one who thinks that this new community, if it is to be organized, should be protectionist and self-sufficient. The great majority of the advocates of this idea believe that the relations between the new community and the other countries should be facilitated as much as possible, and what they wish is either that other countries should join them or that at least relations of close association should be created between the community and its new associates.

It is at this point that Article 2 of the Atlantic Pact takes on again its full meaning. As long as we shall be in NATO with the immense possibilities of the United States on the one hand and on the other the dust of divided European states, we shall not be able to do very much, as the conditions of real economic collaboration do not exist. If, on the contrary, a certain equilibrium could be reached between the United States of America and the united states of Europe, the dialogue to give real effect to Article 2 could usefully be begun.

I realize that my letter is already terribly long and even so I have the impression of still having many things to say to you. I should be glad to continue this conversation with you in whatever form and place you think useful, for example at an early meeting in Paris, but I hope that the few ideas which I have expressed will give you some useful food for thought on the problems raised in your letter.

P.H. SPAAK

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327. DEA/11143-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 157 Paris, February 3, 1956

CONFIDENTIAL

Reference: London Telegram 1769 of Dec 30/55.
Repeat London No. 4; Washington No. 3.

WESTERN EUROPEAN INTEGRATION: COMMON MARKET PROPOSALS

On my return to the office from leave on January 23, Mr. Robertson's thought-provoking telegram under reference was brought to my attention and I have since been giving it careful thought. I have also read over our Delegation telegram 64 of January 13 and find that it covers the position very well from our point of view. However, it might be useful if I add some comments of my own in elaboration of the Delegation telegram.

2. We have to take seriously the proposals for a common market not so much that there is a possibility that the proposals will be realized in their entirety as that there is the possibility the six countries may agree and partly carry out steps towards a common market which would have the effect of creating in a most important segment of the free world a protective group discriminating against outside countries. I do not think that our worries emanate chiefly from the narrow effects this may have on our trading interests because the economies of the six countries are largely complementary to the Canadian economy so far as external trade is concerned. The example which the group set could have most unfortunate repercussions throughout the world and we might find ourselves faced with the creation of a number of similar protective groups the combined effect of which would be most prejudicial to our trading interests. Such a movement could also have frustrating effects on the multilateral approach towards freer international trade and payments.

3. At the conclusion of the last NATO ministerial meeting Mr. Bech, the wise elder statesman of Luxembourg, smilingly told me that if those who were worried about the common market approach could sit in as he had done at the ministerial discussions, their worries would vanish. I think that this is a sound observation because there have been a succession of proposals for customs unions all of which have not proceeded beyond the preliminary talking stage. I can mention in this connection the proposal for a Franco-Italian customs union and the proposal for a Scandinavian customs union. The danger of the Brussels proposals, however, stems from the emotional vigour with which they are being pursued by the proponents of European integration. It is for this reason that we cannot adopt too strong an attitude in opposition to these proposals. The political objective of European integration, as a means of tying the Federal Republic of Germany more securely to the West, is one which must have our sympathy and support on political grounds. It is just because of this that we are faced with a difficult dilemma and should make known at every appropriate occasion our fears about what may develop in the name of European integration.

4. It is significant that Monnet's [group corrupt] Committee for a United States of Europe, while supporting the idea of a common market, have stressed the need of giving priority to the setting up of a supranational agency for the development of nuclear energy. This emphasis on Euratom rather than on the common market indicates clearly that they are fully aware of the almost insuperable difficulties of bringing into effect the customs union proposals worked out at Brussels.

5. We have seen that the Brussels proposals for a common market have been hedged with a variety of escape clauses. This is only to be expected when one is dealing with the almost impossible task of reconciling the divergent interests of the low-tariff Benelux countries with those of the other three high-tariff and strongly protectionist countries. The Benelux countries are anxious to obtain a wider market for their industries and more scope for their intermediaries and strategically located ports. At the other extreme we have France with an economy isolated for many years from foreign competition and with strongly entrenched vested interests in protectionism. At the same time there is now in power in France a government supported by parties dedicated to European integration. Out of this might very

well come an agreement looking towards a common market by stages with manifold escape clauses. If such an agreement could be reached we can be quite sure that France, for one, would soon invoke the escape clauses. We would thus be left with the worst of both worlds and with the unfavourable effects I have briefly touched upon in paragraph 2 of this telegram.

6. All of this points to the desirability of bringing influence to bear in attempting to steer the six countries in some other more realistic and practical direction. We can therefore be very grateful to Mr. Robertson for having directed our thoughts along these lines. This is a subject which should be followed up with as much thought and discussion as we are able to give to it. Unfortunately, I do not think that the proposals he has outlined offer much hope of attaining the objective we have in mind. They would still leave us with the dangers I have indicated in paragraph 2 and would create almost as many problems as they attempt to solve. It is not likely that we could persuade the Brussels countries to retreat from their customs union objective to a sector-by-sector approach under the free trade area concept of Article XXIV of GATT. The proposal that tariffs and other barriers to trade within the area could be abolished first on bulky commodities is an ingenious one but I do not think that it entirely solves the problem of internal re-export controls. The disparity between the Benelux tariffs and those of the three larger countries is so great that even on bulky commodities the latter group of countries might require re-export controls. In this connection we must remember that Antwerp is a convenient port for a large consuming area of France and Antwerp and Rotterdam are the main ports of entry for the most important consuming area of the Federal Republic.

7. Nor does Mr. Robertson's suggestion of securing the agreement of the six countries to an automatic plan of tariff reduction appear to offer much hope as a way out of our difficulty. In the GATT discussions France has always taken the firm line that there could be no consideration of an automatic plan for tariff reduction without the full participation of the U.S. Any initiative that we might take in this direction is sure to run up against the same obstacle and could involve us in unprofitable bargaining.

8. While we would have the right to insist upon the minimum conditions for the granting of any waiver for a free trade area or customs union conforming to the criteria of Article XXIV of GATT, our bargaining position would be weak on account of the political arguments in favour of the granting of the waiver. This makes it important that we should endeavour to make known our misgivings not so much about the effect on our own narrow trading interests of a possible agreement that might be submitted to GATT but chiefly about the effect on our main objective of maintaining the multilateral approach to freer international trade and payments. Besides, we have to take account of British and Scandinavian misgivings and have regard to the unity of the North Atlantic community. We have to consider what effect action by six countries might have not only on co-operation within Europe generally but on the broader aspect of co-operation among the countries of the North Atlantic community.

9. While therefore I agree that for political reasons we should be unwise to take too negative an attitude towards the proposals for a common market, we would be doing a disservice not only to our own interests but to the interests of all the Atlantic countries, including the six countries concerned, if we did not let them know that we have certain reservations about the proposals of which the first outlines have been formulated in Brussels.

[L.D.] WILGRESS

328. DEA/11143-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], February 3, 1956

VISIT OF SIR ANTHONY EDEN AND MR. LLOYD
EUROPEAN COMMON MARKET

Background

At Messina, Sicily, last June the Foreign Ministers of the six countries which are members of the European Coal and Steel Community agreed that it was "necessary to work for the establishment of a united Europe by the development of common institutions, the progressive fusion of national economies, the creation of a common market and the progressive harmonization of their social policies". The common market envisaged was a customs union involving the progressive abolition of tariff and quantitative restrictions among its members and the establishment of a common tariff barrier vis-à-vis non-member countries.

2. Under the authority of the Messina Resolution several commissions of governmental experts were set up. The Common Market Commission has now reported with a reasonable degree of unanimity as to the basic aims. The experts have reached the view that the internal tariffs should in principle be reduced to zero within 10 to 15 years. They have also pronounced themselves in favour of a customs union with a common tariff vis-à-vis third countries. But while there has been a reaffirmation of objectives by Ministers since the experts prepared their report, there has been no agreement on the precise method of moving forward, nor on the timing, nor (except in general terms) on the important question of the eventual level of the tariff against non-member countries. These differences of opinion among the experts reflect stubborn differences between the points of view of the six countries, based upon their present economic policies and situations — differences for example between the highly protectionist attitude of the French and the low-tariff policies of Benelux.

3. It is clear that the primary purpose of the common market proposals is political; i.e., to provide a western framework in which Germany can more securely be accommodated and to provide a political force greater than the present sum of its component parts. But there is also an economic motive, based upon the belief that a customs union might result in a more rational use of economic resources, with an economic base more nearly comparable with that of the United States or the USSR.

United States Attitude

4. The United States Government, as President Eisenhower said in his "State of the Union Message", has decided to support moves towards Western European Integration, including the common market.[7] Although their decision has been made mainly for political reasons — not least in response to Chancellor Adenauer's strong appeals for United States help in tying Germany more firmly to her Western partners on the Continent — the economic advantages (as they see it) of eliminating internal trade barriers throughout a large

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[7] Voir/See United States, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower 1956*, Washington, D.C.: United States Government Printing Office, 1958, pp. 1-27.

part of Western Europe are attractive to the United States. The United States would not suffer proportionately as much as we would from increased discrimination, if that were the net result of a common market, and it might be able to reduce its foreign aid programme to these countries if, in fact, they were able to meet a larger proportion of their own economic and defence requirements, or if the contention that the common market would have these effects could be used as an excuse for cutting down aid to Europe.

5. The United States Government is, however, not unmindful of the need to maintain its bargaining position with the Western European countries in the event that they decide to establish a customs union.

United Kingdom Attitude

6. The United Kingdom Government are not prepared to participate. They have given these as "among the main reasons":

(a) participation "would substantially weaken the Commonwealth relationship both economically and politically"; and

(b) it would be "inconsistent with our existing policies for freeing trade and payments".

Not only are they unwilling to participate; they see dangers in the present proposals of the six Messina powers for setting up a common market themselves. Their view is that during the ten to fifteen years it would take to achieve the common market, much of the progress of recent years in reducing discrimination in Western Europe would be undone. This would aggravate protectionist tendencies and regionalism in other parts of the world. The United Kingdom Government believe the common market would tend to be a regional discriminatory bloc in conflict with the principles of freer trade and payments towards which Commonwealth countries and OEEC members have been working. In their view the political cohesion of Western Europe would be damaged rather than served by the division between the six and the rest of Europe; this would be further emphasized by the consequent weakening of the OEEC and NATO.

Preliminary Canadian Views

7. The comments which follow have been prepared in consultation with the other interested Departments and the Bank of Canada. They should, however, be regarded as preliminary; adequate information which would permit the Canadian Government to form any final judgment as to the merits of the common market proposal is not yet available. The six foreign ministers have so far given no more than a preliminary blessing to their experts' proposals. We have, however, had serious reservations about the discriminatory features of other trade and payments arrangements such as the European Payments Union and the OEEC Intra-European Trade Liberalization Plan. In its discriminatory aspects the common market arrangement would seem to differ only in degree from these other regional arrangements. The common market as now envisaged would put on a permanent basis (although among a smaller group of countries) the kind of discrimination against us and the rest of the world that the OEEC countries have been applying on a supposedly temporary and transitional basis. While we would share many of the United Kingdom's doubts about the common market proposals, one thing that would not give us the same concern would be their probable weakening effect on the OEEC. We would have the same kind of fears about the continuation on a permanent basis of discriminatory arrangements under the aegis of OEEC as we and the United Kingdom have about the common market proposals. (This does not of course mean that we do not recognize a value in OEEC as a European consultative and advisory body in economic affairs).

8. It can be argued that a full customs union would not be open to the same objections as a regional discriminatory arrangement; that it would result in better use of resources within the group of countries concerned; and that it would therefore be a strengthening factor in Western Europe. Whether it would have these results would depend on a number of unknown factors, particularly the nature and levels of the tariffs the six countries would apply to imports from nom-members.[8] The experts recommended the elimination of internal barriers without raising the average of the tariffs against outside countries. (This is a necessary condition to secure GATT consent). But during the long period of transition, there is little prospect of any tariffs against outside countries being lowered, and we would expect the effect of the steadily increasing degree of discrimination to be a dividing influence in Western Europe. Nor, on present evidence, could we count on seeing any important improvement in economic efficiency during this period.[9] Finally it seems to us unlikely that the project would ever result in a full customs union partly, for example, because of the difficulties which France, for one, would face in removing its tariffs against the other five, even in the lengthy stages envisaged. What would remain, if events followed this course, would be a discriminatory preferential arrangement between a limited number of European countries — a rather shaky economic foundation on which to try to build the political strength of Western Europe as a whole.[10]

9. We would not, however, think it wise to express these doubts to the six Messina powers, in the near future at any rate. It is most unlikely that this would do any good, and very likely that it might be misunderstood; the United Kingdom's representations have been strongly resented. If the project were to fail, we would be blamed. If it is likely to go ahead anyway, we might as well avoid incurring the displeasure of the Six to no purpose.[11]

10. You will have seen a telegram from Mr. Robertson (copy attached for convenience of reference) expressing the hope that when the time comes our attitude toward the common market proposals will be "reasonably constructive" and making some suggestions as to the kind of arrangements that would be least likely to jeopardize our trading interests. Sir Anthony Eden may be aware of Mr. Robertson's views. We are rather doubtful whether the sector-by-sector approach he favours would be acceptable to the Six; moreover, if this approach were followed it could be expected that the most difficult sectors, such as agriculture, would be left until the last. We are, however, giving fuller consideration to these suggestions in consultation with other interested Departments and the Bank of Canada.

11. In any discussion of the common market with Sir Anthony Eden and Mr. Lloyd, you might wish to indicate:

(a) that we are naturally very interested in the political possibilities which the Messina powers see in closer economic association between their countries;

(b) that we share some of the doubts which the United Kingdom has expressed concerning the economic implications of the common market proposals;

(c) that being less directly concerned than the United Kingdom we have not felt as free to express misgivings about this particular project although we have always taken every opportunity to make known our strong preference for multilateral as opposed to regional trade and payments arrangements;

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[8] Note marginale :/Marginal note:
surely "levels" have no bearing on discrimination [L.B. Pearson]

[9] Note marginale :/Marginal note:
why [L.B. Pearson]

[10] Note marginale :/Marginal note:
European vs. Imperial preference! [L.B. Pearson]

[11] Note marginale :/Marginal note:
I agree [L.B. Pearson]

(d) that we are less inclined that the United Kingdom to boost OEEC as a practical alternative to the customs union if this is likely to imply that OEEC's transitional discriminatory arrangements might be put on a permanent basis;

(e) that in the circumstances we do not propose to take much part in the debate on the merits of the Messina proposals, although we shall, of course, continue to advocate non-discriminatory commercial policies in keeping with GATT and Fund principles; and

(f) that we could concur in the following extract from the Eden-Eisenhower statement:

> "In the economic field we recognize the contribution which the O.E.E.C. (Organization for European Economic Cooperation) makes to the stability of Europe. Within the framework of the Atlantic community, and with regard to its broader interests, we support further progress on the continent toward unity, both political and economic."[12]

12. Finally, you might consider whether to suggest that we would really prefer the United Kingdom not to put forward the Commonwealth connection, as such, as a main reason for their inability to participate in the proposed common market. We can readily understand that the special trading relationship between the United Kingdom and the rest of the Sterling Area might be regarded as an obstacle (although probably not as serious a one as the United Kingdom's own national commercial interests); but this is not of direct concern to the non-sterling member of the Commonwealth. We can also understand that in the United Kingdom, Australia and New Zealand any drastic change in the British preferential tariff might be politically unpopular, but I do not think we would regard this preferential tariff system as quite such an important factor in the economic or political strength of the Commonwealth. It probably does no good to the attitude of the Messina countries towards the Commonwealth to have it brought into the argument without a fuller explanation of what is meant.[13]

13. In the above statement of our tentative point of view towards a common market for the Messina powers, we have emphasized the economic difficulties because our judgment is that they are sufficiently formidable to vitiate the political advantages by preventing the completion of the customs union as at present planned. From our point of view a "half-way house" customs union (involving old-fashioned discrimination in a different guise) would be worse than none at all. We fully appreciate, however, both the sincerity and the validity of the political case made by such European Ministers as Mr. Spaak. We do not seriously question that their political objectives might be assisted if a broad and effective customs union were to be achieved. In the circumstances it would seem most becoming for Canada to refrain from volunteering comments at present on this particular project.[14]

J. L[ÉGER]

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[12] Voir/See United States, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower 1956*, Washington, D.C.: United States Government Printing Office, 1958, pp. 214-218.

[13] Note marginale :/Marginal note:
I agree [L.B. Pearson]

[14] Pour les rapports sommaires sur l'entretien de Pearson avec Eden, voir volume 22, les documents 696 à 697.
For summary reports on Pearson's meeting with Eden, see Volume 22, Documents 696-97.

329. DEA/11143-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

DESPATCH 273 London, February 15, 1956

CONFIDENTIAL

Reference: My telegram No. 1769 of December 30.

WESTERN EUROPEAN INTEGRATION: COMMON MARKET PROPOSALS

I have now had an opportunity of studying the very interesting contributions which have been made to the discussion of this subject by a number of our missions. They raise some points of substance on which I should like to comment further.

2. We all agree that a common market in Western Europe could develop into a protectionist continental area. At the same time it is worth remembering that the common market initiative has been launched by countries which have, on the whole, followed liberal trade policies and which stand little to gain and much to lose from a closed and discriminatory economic system in Western Europe. These countries, notably Belgium and the Netherlands, would not welcome a free trade area in which internal re-export would require elaborate administrative controls nor do they seek a customs union in which they would be obligated to raise their external tariff barrier to any significant degree. I have the impression, therefore, that they would not regard as unhelpful any pressure which sympathetic outsiders might exert to bring the common market proposals into line with the objective of a multilateral system of trade and payments. This impression, incidentally, has been confirmed by discussions which we have had with the Dutch here and I am glad to see it borne out in Mr. Stone's general analysis of the Dutch position (despatch No. 57 of February 1† from The Hague).

3. Our main apprehension about the potentially protectionist direction in which a common market might drift stems, I take it, from the position of the French. For it is clear that, unless French prices can be brought into line with world prices, the French role in the common market is unlikely to be more constructive than it has been in the O.E.E.C. It would be wrong, on the other hand, to suppose that all the cards are in the hands of the French. A common market in which the French did not participate would pose as many difficulties for France as it would for the other members of the scheme. Moreover, the Government at present in power in France is one which appears to be genuinely committed to the principle of further integration in Europe and one which is, therefore, less likely to regard French participation in a common market as a reluctant bargaining counter for an integrated European development plan for nuclear energy.

4. Our O.E.E.C. Delegation is no doubt right in supposing that within the common market there would be as many protective forces as there would be forces pulling the other way. I think, however, that there are two limiting factors to this. First, there is likely sooner or later to be a downward pressure on external tariffs in the six countries. If, for example, raw materials and semi-manufactures entered Germany under a lower tariff than France, it is obvious that the cost of the finished product would give a relative advantage to the German producer. Even supposing that there were internal controls over the re-export of the raw materials or semi-manufactures originally imported into the common market area,

these controls could not apply to the finished product since this would explicitly contravene the interpretation of a free trade area under Article XXIV(8)(b) of the G.A.T.T. This being so, we might expect the French producer to see to it that he gets his raw materials at prices which do not place him at a disadvantage over his German competitor.

5. The second limiting factor lies in the objectives of the common market itself. For one of these objectives is surely to improve economic efficiency and to rationalize the use of Europe's resources. In my previous message I outlined a scheme for the treatment of bulky commodities which, I thought, would make it possible for the countries of the common market to make a relatively easy start toward dismantling internal tariffs. I assumed that this could be done without the concomitant necessity of imposing internal re-export controls. Mr. Wilgress has now pointed out that the external tariff disparity between, say, France and the Benelux countries is of such magnitude that re-export controls would probably continue to be required in this case to protect the interests of the French. Even supposing, however, that the external tariff wall were identical in all the common market countries, it is still conceivable that the French would argue that unimpeded internal movement would place a port like Antwerp at a competitive advantage over, say, Le Havre in that it would be cheaper to ship bulky goods to the industrial region of Northern France through Antwerp. It is my view that such an argument could not be publicly made without showing up the common market scheme as something which fails to conform with the criteria on which the Contracting Parties to the G.A.T.T. are bound to judge any proposals put up to them.

6. It is reasonable to suppose, in any case, that the Contracting Parties will not find their hands unduly tied when they come to consider the common market proposals, of the six countries. Neither the shape of these proposals, once the conflicting views of the participating countries have been resolved, nor the time limit stipulated for putting them into practice are likely to conform too closely with the terms of Article XXIV. In these circumstances it might be possible for the Contracting Parties to make their waiver subject to a set of special conditions, if necessary under Article XXV(5).

7. I suggested in my previous message that as one of these special conditions the six countries might be asked to cut their tariffs on a percentage basis with a view to bringing them into closer alignment and, incidentally, co-ordinating the common market with other moves which are being made on a world basis to eliminate trade barriers. In making this suggestion I did not have in mind anything in the nature of a penalty clause nor did I intend to imply that there was much prospect of such a condition being acceptable to the six countries without qualification. The fact is, however, that to some of the common market countries the idea that they would have to raise their tariffs so that others might be able to lower theirs is repugnant. These countries would much rather see the common external fence adjusted to something lower than the present average level. It probably would, as I suggested, be necessary for countries outside the common market to participate in such a tariff reduction exercise if it is to command adequate support among the common market countries as a group. In view of the strong support which the United States is evidently prepared to give to the common market initiative on political grounds, I think that it would be premature to exclude the possibility of some United States contribution to a solution along these lines. Such a contribution could be put to Congress as being in the interest of political consolidation in Europe and as a further and reciprocal step toward the removal of trade barriers on a multilateral basis. The actual procedure which I envisaged the tariff reduction might take is one for which the present Administration's revision of the Trade Agreements Act offers at least a precedent in principle.

8. Our O.E.E.C. Delegation mentions the abolition of all remaining quantitative restrictions as an alternative price which we might set for a waiver under the G.A.T.T. I must admit that my own proposals were based on the assumption that, by the time the common market had come into being, we would be dealing with a convertible Europe and one in which quantitative restrictions had been substantially eliminated. That is why I placed what might have seemed to you undue emphasis on the question of tariffs. The survival of quantitative restrictions would, of course, pose an entirely different problem and one which, in my view, it would be exceedingly difficult for a market of this size and importance to tackle in the terms of Article XXIV of the G.A.T.T.

9. There remains the question of whether a free trade area or a customs union would offer a greater potential threat to Canadian trade with the common market area and to the broader objectives of Canadian commercial policy. As Mr. Wilgress has pointed out the Canadian economy is, to a substantial degree, complementary to the economies of the countries which are likely to be associated in the common market. Where we compete with the products of participating countries we would, in any case, have to contend with duty-free entry privileges for such products in each of the other countries of the common market, whether the decision eventually reached is to establish a free trade area or a customs union.

10. The next consideration is how a free trade area or a customs union, respectively, would affect our trading position in relation to imports into the common market from other non-participating countries. Here the odds are even and I agree with our O.E.E.C. Delegation that our position would depend largely on "the relative levels of the tariffs on our main exports" as they emerged from the tariff alignment that is implicit in the customs union proposals. It is, however, conceivable that under the type of alignment formula envisaged under Article XXIV of the G.A.T.T. we might find that upward adjustments in the tariff of markets like the Benelux might be more than offset by the greater opportunities afforded to Canadian trade through a reduction in the tariff of some potentially large markets like France and Germany.

11. As I see it, however, the decisive consideration from our point of view would be whether a free trade area or a customs union is more likely to contribute to that wider measure of freedom in international exchanges which is a basic objective of Canadian policy. In my own view, a free trade area offers a better prospect in that direction. On the purely practical plane, there is a danger that the tendency, in devising a common external tariff fence under a customs union, will be to increase tariffs on items that are sensitive to competition from outside the common market and to reduce tariffs on items which are less sensitive to such competition. Beyond this, however, a common tariff fence is bound to prove much less amenable to reduction, negotiated or otherwise, than the tariffs of the individual common market countries and it would eliminate the automatic downward pressure on tariffs which, in my view, a free trade area arrangement is likely to exert on the participating countries with a view to securing their competitive position in relation to that of their partners in the common market.

12. There is one further consideration which I should like to put forward in favour of the free trade area and which has to do with the position of the United Kingdom. I do not wish to suggest that this position has yet undergone any change or that anything in the nature of an "agonizing reappraisal" is in prospect. Nevertheless, the position of this country in relation to the common market poses a number of difficult problems by no means all of which have been thought through. The basic problem, of course, is how to reconcile the United Kingdom interest in safeguarding its access to the European market on equal terms with the continuation of some form of Commonwealth preferences. A free trade area arrange-

ment is at least one in which the United Kingdom could conceivably participate without abandoning its preferential commitments altogether. I should think that, on political as well as economic grounds, most of the countries in the common market would be prepared to co-operate in working out a formula which would enable the United Kingdom to associate itself with their common effort. There is therefore much to be said, in my view, for trying to find an approach to the common market which would not close the door to such participation from the outset.

N.A. ROBERTSON

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330. DEA/50377-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

PERSONAL AND SECRET Paris, February 23, 1956

Dear Mike [Pearson],

I am much obliged to you for your personal and secret letter of February 9† and I thank you for enclosing copies of the letters you have exchanged with Mr. Spaak on the subject of Western European integration.

I have already given my views on the economic aspects of the European common market proposal. The same mail that brought your letter also brought a copy of Mr. Léger's memorandum of February 3rd, which he prepared for your talks with Sir Anthony Eden and Mr. Selwyn Lloyd. I think that his memorandum sets out the position extremely well and I agree with nearly all its conclusions. Like the views I have expressed, it stresses the economic objections, whereas Mr. Spaak's letter to you deals with the political arguments in favour of pressing on with the Messina initiative. In this letter, therefore, I shall confine myself to the political side of the question.

We can share fully Mr. Spaak's concern about the way in which the political situation of Europe is evolving. He is in a better position than anyone else to speak with authority on this subject and, therefore, we can accept without question his diagnosis of the present situation. It is when Mr. Spaak prescribes remedies by proposing to press on actively with the common market proposal that I fear we must part company with him on political as well as on economic grounds.

First of all, I would like to say that, if a further move is to be made in the direction of Western European integration, the most promising field is in that of nuclear power. It does make sense for the European countries to combine in the setting up of a single agency to develop this entirely new industry. The capital required is so enormous that it is only sensible for countries to undertake a joint effort. Their combined efforts would be much more effective than if each nation were to seek to develop nuclear power solely on the basis of its own resources. On the other hand, the same arguments would apply to a wider field of cooperation than that of the six Messina countries. It does seem a pity that by stressing supranational features the cooperation of the Scandinavians has been excluded, not to mention the cooperation of the United Kingdom. We also see that even in this promising field of nuclear power, the forces of nationalism are giving rise to grave doubts in some of the

Messina countries. Instead, therefore, of making for European unity, the first effects of the proposal have been to make, to a certain degree, for disunity.

If this has happened in relation to the relatively promising nuclear power proposal, we can readily see the danger of disunity arising out of the much less promising common market proposal. Anyone acquainted with the conflicting vested interests among the six countries will realize that the efforts to bring about a common market are likely to result in some half-way house which, by introducing a new and provocative form of discrimination, will increase the stresses and strains within Western Europe and within the Atlantic Community generally. Moreover, before the proposal can be ratified by their parliaments we are bound to see arising in each of the six countries serious internal conflicts, embitterment and recriminations. The vested interests adversely affected will not lightly yield the gains they have derived from protectionism and national feeling will be inflamed at the threatened subordination of national interests to the wider interests of "Little Europe".

Mr. Spaak's main argument is based on the need of tying Germany to Western Europe in case a resurgence in German nationalism would lead the Germans to seek a rapprochement with the Russians. But, does he really think that tying up Germany in this way would really prevent resurgent German nationalism from seeking a rapprochement with the Soviet Union if the Germans became convinced that this was the only way to reunify Germany and to assure German energy of wider outlets for economic expansion? The only safeguard against the Germans running amok in this way is trust in their good sense to see where their real interests lie.

The main difficulty about all these schemes for European integration is that they underestimate the strength of national feeling in the European countries, the diversities in the historical development of each country and the strongly entrenched vested interests in national institutions and in national protectionism.

We saw what happened to the EDC proposal when French nationalism reacted so strongly to the fear that the French Army would lose its identity as a national institution. Yet EDC offered a solution to France against the revival of German militarism. We wasted four precious years over this proposal before the conclusion was reached that the correct solution was not a European but an Atlantic one. We can see clearly now that WEU was nothing more than a temporary European bridge across which Germany could enter the Atlantic Community. My fear, therefore, about the Messina initiative is that it will lead once more to a great deal of wasted effort and frustration before we again arrive at an Atlantic rather than a purely European solution.

I can detect in Mr. Spaak's reply a vestige of the old Third Force idea. This becomes clear from his penultimate paragraph when he writes that "if, on the contrary, a certain equilibrium could be reached between the United States of America and the United States of Europe, the dialogue to give real effect to Article 2 could usefully be begun". This is a fine ideal but, given the strength of national feelings in Europe, it is one that is incapable of realization. Nor would the United States of Europe necessarily be on a par with the United States of America. The world as it has emerged from World War II is a world dominated by two super powers each of which has a vast expanse of territory and great resources. The conditions simply do not exist in Europe for creating a third such super power. The alternative facing other nations is to align themselves with one or other of the two super powers. Alignment with the Soviet Union means complete subjection. I do not believe that the Germans will ever take this road. Alignment with the United States means the continued possibility for the highly individualized nations to live in freedom under the protection of American power. This is the real meaning of the Atlantic Community.

Because Western Europe is in such an exposed position it should become obvious to the Europeans where their true interests lie. Such a realization, however, can be dangerously obscured if we continue to pursue the myth of European integration with all the wasted effort and frustration that this involves.

In conclusion, I wish to express the hope that you will be afforded the opportunity of reading the article entitled "Myth and Reality in European Integration" which Lincoln Gordon contributed to a recent issue of the *Yale Review.*[15] In this article he stresses that the prime need for Western Europe (and for the Atlantic Community) is not tighter integration but ever closer international cooperation.

Yours sincerely,
DANA [WILGRESS]

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331. DEA/50377-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

PERSONAL AND SECRET London, February 23, 1956

Dear Mike [Pearson]:

Thanks for letting me see copies of the correspondence with Spaak. You drew a very interesting letter from him.

When you come to write to him again, you might consider putting up to him an idea which, if he wished to make it his own, might have quite useful political and economic implications. From thinking about the various relationships which exist between this country and the European common market, I became interested in the relationship that is presently taking shape between the United Kingdom and the European Coal and Steel Community. Politically an accommodation has been reached, a treaty has been signed, and the Coal and Steel Community have established a permanent diplomatic mission in London to facilitate contacts and cooperation between the United Kingdom and the Community. People on both sides are disposed to congratulate themselves on having worked out a tolerable modus vivendi. I doubt myself whether this confidence is well placed. So long as both coal and steel are in very short supply, there is no particular difficulty or conflict between the economic interests of the United Kingdom and the Community. The domestic demand in this country for both coal and steel is so high that neither United Kingdom industry nor the government appear to have noticed the effect on their export position, say, in a market like Holland, of the removal between the countries of the Community of their import duties on coal and steel. I do not think they will be so complacent about their relations with the Coal and Steel Community when it moves into its second phase, that of organizing a common customs tariff around the free trade area it is creating. Such a tariff, even though kept down below the average of current tariffs by the importing interest of Holland, Italy and perhaps Belgium, is bound to put United Kingdom exports of iron and steel to the European market at an increasing disadvantage. As soon as productive capacity begins to overtake demand, this sense of disadvantage seems to me bound to make itself felt.

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[15] Voir/See Lincoln Gordon "Myth and Reality in European Integration", *The Yale Review*, 1955-56, Volume XLV, February 23, 1956, pp. 80-103.

Against this situation which seems to be developing, I was surprised to find out (from Kohnstamm, the acting representative in London of the Coal and Steel Community) that the Community's charter does not at present give it power to make a collective trade arrangement with countries not members of the Community. This means that the United Kingdom and Sweden, to take two countries that might conceivably be prepared to enter into a common market for coal and steel without being willing to join the Coal and Steel Community as such, would be unable to enter into agreement with the Community for the reciprocal free entry of coal and steel products. Any such trade agreement would require the individual approval, and would therefore be subject to the individual veto, of each of the six countries in the Community. Some members of the Community might have quite a lively interest in such an extension of the common market to include the United Kingdom and Sweden. Others would have a definite protectionist interest in preventing such an extension.

I think it would be a constructive measure, and one that could most appropriately come from a leading member of the Coal and Steel Community, to propose that the Community itself should be given authority to negotiate agreements with other countries for the free entry into those countries of the range of commodities covered by the Coal and Steel Agreement, in return for granting reciprocal free entry of the same range of products into the countries of the common market. To give the Community this supra-national power to make a collective trade agreement would further strengthen the political development of the Community as a European institution, and would at the same time give it an opportunity to take the lead in proposing permanent measures of economic cooperation with other countries which look with sympathy on the general objectives of the Community, share its partners' interest in creating wider and freer markets for iron and steel, and which are, for reasons which appear to be generally accepted, unwilling to accept organic membership of the Community itself.

It seems to me that this is an approach which should commend itself to M. Spaak, as well as to MM. Mollet and Mendes-France, because it would provide an opportunity of associating the United Kingdom, perhaps all the Scandinavian countries, and perhaps Austria, with what seems to be the most firmly-based of the new European institutions. By the same token, such an external extension of the European common market for coal and steel would moderate *pro tanto* the relative weight and importance of the German steel industry within the general European coal and steel complex.

Yours sincerely,

N.A. ROBERTSON

332. DEA/11143-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], February 23, 1956

EUROPEAN INTEGRATION—A DRAFT REPLY TO MR. SPAAK'S LETTER

Yesterday afternoon we had a very interesting and useful session with Mr. Bryce, Mr. Rasminsky, Mr. Plumptre, Mr. Isbister, and officials of our own Department, discussing Western European integration in general and in particular the draft statements Mr. Wilgress will make at the O.E.E.C. Ministerial Council next week. Now that we have achieved a greater meeting of minds on this question with other Departments — and we shall be submitting to you shortly a paper on this subject — you might like to consider a reply to Mr. Spaak's letter. A draft is attached in the form of a telegram to Mr. Hébert. It is not perhaps as positive as we ourselves might wish, but it would, I think, carry the judgment of all concerned at the official level.

2. I think it might be a nice gesture to follow up your reply by asking Mr. Hébert to give Mr. Spaak advance copies of the statements Mr. Wilgress will make at the O.E.E.C. Ministerial Council next Monday and Tuesday on the common market and on EURATOM.[16] Do you agree?[17]

3. If you approve, we might also circulate to the Prime Minister, Mr. Howe, Mr. Harris and Mr. Campney copies of your exchange of letters with Mr. Spaak.[18]

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Projet d'un télégramme du secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Belgique

Draft Telegram from Secretary of State for External Affairs
to Ambassador in Belgium

SECRET. IMPORTANT. Ottawa, February 23, 1956

Reference: Your Telegram number 16 of January 27.†

WESTERN EUROPEAN INTEGRATION

Please give Mr. Spaak the following reply to his personal and confidential letter of January 27. Text begins:

"My Dear Spaak:

I am most grateful to you for the force and frankness with which you explained, in your letter of January 27, your reasons for seeking closer integration among the Messina powers. I shall certainly respect the personal and confidential character of our correspondence; and I write to you on the same basis. Thanks to your letter, I now feel that I have a clearer understanding of your political aims and motivations; I must say that you present an extremely thought provoking case.

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[16] Voir/See Document 393.

[17] Note marginale :/Marginal note:
yes [L.B. Pearson]

[18] Note marginale :/Marginal note:
yes [L.B. Pearson]

As far as the political aims of the Messina powers are concerned we are in complete agreement. As you know, our worries on economic grounds have been based chiefly on the premise that the movement towards a common market might be begun but might not be successfully completed — in which case the last state might well be worse than the first, from the point of view not simply of the other members of the North Atlantic Community, but of the six participants themselves. But that is primarily your concern rather than ours; and I know that you and your colleagues are fully alive to the need to keep Messina developments within the limits of the principles of the GATT.

Hébert will already have shown you a summary of our discussions with Sir Anthony Eden and Selwyn Lloyd. I gained the impression from our talks in Ottawa that the United Kingdom Ministers are no longer taking quite such an unfavourable view, even of the common market, as had been indicated by earlier United Kingdom statements in O.E.E.C. and elsewhere towards the end of last year. The reference in the Washington declaration to support for any 'further progress on the continent toward unity, both political and economic' may also be evidence of some moderating of their earlier position. (As far as Canada is concerned, we could, of course, fully subscribe to this declaration).

I hope the O.E.E.C. ministerial meeting next week will not make any new difficulties for you. Certainly, anything which Mr. Wilgress may say is not intended to do so, and I hope you will find his brief intervention helpful. (Hébert will be giving you these texts as soon as possible) as in previous Canadian statements on the subject he will indicate our hope that the common market, if it is realized, will mean from the beginning of the process a general lowering rather than raising of external tariffs around the customs union area. I am sure that this suggestion is in accordance with your own objectives and those particularly of your Benelux colleagues.

As concrete planning on Euratom and the common market may be further advanced by spring, I shall look forward to continuing our 'conversation' at the ministerial meeting of the NATO Council in May, as you have suggested.

Again my best thanks and warm personal regards,

Yours sincerely, L.B. Pearson

Text ends.

When possible please give Spaak texts of statements Mr. Wilgress will make in O.E.E.C. Council February 27-28. These are being repeated to you separately.

[L.B.] PEARSON

333. DEA/11143-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM E-164 Ottawa, February 23, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your telegram No. 212 of February 16, 1956.†

OEEC MINISTERIAL COUNCIL — EUROPEAN COMMON MARKET

We have made a few alterations in the draft statement you proposed you might make in the Council discussion of the European common market.

2. The following is the revised text you might use. Begins:

Since the Messina conference last June the Canadian Government has followed with close interest the development of ideas relating to the formation by the six interested countries of a European common market. We would of course agree in principle with any arrangement which strengthens the political bonds within Western Europe, and with any initiative which contributes to the prosperity and economic strength of this important area of the world by lowering trade barriers. The Secretary General has, however, drawn attention to the problems of transition to a common market; it is essentially a long term operation, and the only feasible method of achieving it is by the progressive reduction of obstacles to trade between participating countries. This transitional phase raises problems not only for the OEEC, but also for the wider trading area of the Western world. It is important to ensure that its effects within Europe are not divisive and that it will not be taken as a substitute for the general movement in which we are all associated towards a multilateral system of world trade and payments. The logic which argues in favour of broadening the market of the six countries could scarcely fail to recognize the even larger benefits in the reduction of trade barriers on a still wider basis.

With this in mind, the Canadian Government would assume that the common market proposals would as a minimum respect fully the principles relating to such arrangements which are embodied in the general agreement on tariffs and trade, and would aim at reducing and not increasing the obstacles to trade between the participants and the rest of the world.

We welcome the affirmation contained in the communiqué of the ministerial meeting in Brussels on February 12 that the policy of the governments concerned would not be based on an autarchic system, but we would stress the importance of considering as well the possible influence of their plans on other trading areas. We would suggest that care must be taken to ensure that the example set in Europe does not have unfortunate repercussions elsewhere — a danger which would be enhanced if the movement once started were to come to a halt short of the final goal of a common market. The effect could be to stimulate the creation of other preferential groupings with results that the six countries themselves would recognize as contrary to their interests and those of the free world as a whole.

I would emphasize that the Canadian Government is fully in sympathy with the political objectives of the Messina powers, consistent as they are with the fuller development and strengthening of the North Atlantic community. In examining the common market proposals we will have these objectives very much in mind, as well as the importance of ensuring that any plans which result from these proposals should be so designed that they may reasonably be expected to assist the achievement of these objectives. Ends.

334. DEA/11143-40

Note du chef de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division,
to Under-Secretary of State for External Affairs

SECRET [Ottawa], February 27, 1956

EUROPEAN INTEGRATION

I attach a draft memorandum on this subject, based on the discussion at the meeting which you chaired on February 22. I also attach a copy of a letter† to the other Departments represented at that meeting, in which we have asked for their views on the draft.

2. It is perhaps unusual to ask your views on a memorandum addressed to yourself while it is still in draft form. Of course your comments will govern the final form of the memorandum. On the other hand it seemed to me wise, and I understand that you share this view, that the paper should not go as a memorandum for the Minister. If it were to do so either his comments or his failure to comment would tend to establish a position which it would be premature to define as Government policy. It was my thought, therefore, that (when the paper has been revised to take account of comments from those represented at the meeting) you might submit to the Minister for signature a non-committal letter sending the paper to the Missions concerned. In this way the paper could be brought to his attention, and to the Missions, in a manner which would not in any way commit the Minister either for or against the views expressed.

3. Would you approve this procedure?[19]

A.E. RITCHIE[20]

[PIÈCE JOINTE/ENCLOSURE]

Projet d'une note du chef de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures

Draft Memorandum from Head, Economic Division,
to Under-Secretary of State for External Affairs

SECRET [Ottawa], February 24, 1956

EUROPEAN INTEGRATION

The following paragraphs are an attempt to summarize the views on European integration which emerged during the course of the interdepartmental meeting which you chaired on February 22. The specific occasion for convoking that meeting, you will recall, was the need to decide upon the instructions to be sent to Mr. Wilgress for the forthcoming OEEC Ministerial Meeting, at which cooperation in atomic energy development and the proposed common market would be under discussion. While it was not considered that the preparation of these instructions would be particularly difficult, it was believed that their approval would afford an opportunity for a general exchange of views on problems relating to European integration. The meeting was attended by officials of the Departments of Finance and of Trade and Commerce, representatives of the Bank of Canada and of Atomic Energy of Canada Limited, and officers of European, Defence Liaison (1) and Economic Divisions.

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[19] Note marginale :/Marginal note:
Yes. J. L[éger]

[20] Note marginale :/Marginal note:
Mr Kirkwood: Interesting. We shall have to clear this with others. I would not expect them to object to such a positive attitude if the situation described were to develop. A.E. R[itchie]

2. It was generally accepted that the present situation in western Europe was such as to cause serious concern. The risk of Germany slipping away from the West after Adenauer's disappearance was very real, while in France and perhaps elsewhere there was the danger that Popular Front or neutralist governments might take over unless the political situation could be stabilized and set in order. Any of these developments would, of course, strike at vital points in the Atlantic alliance and would gravely, perhaps disastrously, compromise the resistance of western Europe to Communist domination. The economic difficulties of some European countries, and the maintenance of serious restrictions on their trade with each other and with the rest of the world were also an important element of weakness. France in particular was still denying its economy access to the cheapest sources of supply thereby fostering uneconomical high-cost production. The Federal Republic of Germany, deprived at present of traditional outlets to the east, smarting from the deeply-felt pangs of separation, and dependent upon a substantial level of foreign trade for her well-being, might be increasingly tempted by Soviet offers to resolve these difficulties if only she would break away from the western connection. It was difficult to see how a significant economic improvement could be attained unless the United States were to take a major initiative, in the direction of a more liberal trade policy, and this she seemed at present unable to do for domestic reasons and particularly in an election year.

3. The situation therefore appeared both economically and politically to be one of mingled stagnation and disintegration, with the two main focal spots for the malaise in the two traditional rivals — France and Germany. The most hopeful means of halting the European drift toward chaos or breakdown would be a strong act of leadership on the part of the United States in such a form as to inspire new hope and purpose and at the same time to hold out real promise of material improvement. Tragically, the United States could not or would not achieve such a stroke at least for a time. Two questions therefore arose, and they were not independent: could Europe afford to wait until the United States resumed effective leadership, and could Europe take action on its own account which would stave off the crisis which appeared to be developing?

4. It was the general view of the meeting that the Messina initiatives should be assessed in some such perspective as that set out above. It was generally agreed that the primary Canadian interest was to see a halt in the downward trend and a positive movement toward increasing health and strength in western Europe. Such matters as Canadian commercial interests were not likely to be seriously affected as a direct consequence of the Messina initiatives, and in any case were of secondary importance in relation to the major problem of ensuring the survival of western Europe with which we were so closely and inevitably associated. Those who were skeptical about the soundness of the Messina proposals emphasized that they were thinking in terms, not of Canadian commercial interests, but of the true interests, as they saw them, of western Europe.

5. The Messina proposals, or more specifically the Euratom and common market proposals which were part of the product of the Messina initiative, were therefore examined in terms of their potential contribution to the survival of western Europe. It was accepted that effective cooperation among European countries in the development of atomic energy could only be beneficial, and that there could be no question of opposing Euratom as such. Any support for Euratom, however, should depend on its readiness to cooperate constructively, along the lines of the type of cooperation envisaged by the OEEC's working party, with the other countries of western Europe. It would be difficult, moreover, to support Euratom if it developed along lines which tended significantly to restrictionism, since for reasons indicated above such tendencies would impede rather than facilitate the solution of Europe's fundamental problems. Only in this way would Euratom serve to strengthen the economic base of western Europe and contribute to the unity and well-being of the whole.

6. The common market project raised greater problems. In the first place it would obviously be much more difficult of attainment; indeed a number of those present considered that the most that could be expected would be a limited reduction of the tariffs and quantitative restrictions within the group on the least sensitive items; whereas any real contribution to higher productivity would have required the exposing of the sensitive industries to the fresh air of competition. In this view a limited move of this kind might only distract attention from the need for a major forward movement. It was probable that in practice the common market plan would involve the establishment of a trading bloc fairly effectively insulated against the outside world and would thus both directly in itself and indirectly by its example impede or even tend to reverse the movement toward a freer world-wide multilateral trading system. Some officials thought this fear was borne out by experience under the European Payments Union and the related OEEC trade liberalization scheme, where the pace of the movement in the direction of freer trade with the rest of the world had often been held back to suit the circumstances of the weakest members. The view was expressed that in the event the common market would prove to be a facade and an illusion, and that the disappointment following its probable failure would do much more harm than the benefits, limited both economically and politically, which could be expected even if it were more successful than it was reasonable to expect.

7. On the other hand, it was suggested that there was now little or no other outlet available for those Europeans determined to work for reform than in plans directed towards integration, and these constructive forces needed a symbol and rallying point. The common market, whatever its practical defects might be, appeared capable of serving as that symbol. It might therefore attract support and generate effective action well beyond what could otherwise be expected of it. Moreover, the crisis appeared imminent and Europe could scarcely afford to wait; the point had almost been reached where any course, desperate though it might appear, would have to be seized if it offered the hope of binding Germany firmly to the West and of giving Europe a fresh start toward economic health and balance. It was not clear whether or not common market represented such a course.

8. It was the general conclusion of the meeting that Canada should not oppose European integration along Messina lines, although she might comment critically on particular proposals which appeared harmful or dangerous. The exact plans that would result from the Messina proposals were not yet known, and perhaps not yet clear even to their proponents. Bearing in mind the misgivings indicated above, it would be premature at this stage for Canada to give positive support to those proposals, although it was desirable to express sympathy and support for the aims professed. The eventual role of the United Kingdom in these developments was not yet clear, and it would be difficult at present to assess the implications of any particular course which that country might follow. The development of

events should be followed very closely, and the position reviewed and reassessed from time to time. It might at some stage be desirable to seek a general discussion of these matters, presumably at a high level, with the United States. But if, as these plans developed, we were persuaded that the Messina initiative was a conscientious attempt, by Europeans who saw their situation as desperate, to work out a form of salvation for western Europe, we must give them our best wishes and hope for their success. In any case, to oppose their efforts, when we have no alternative action to propose, could probably do no good and might do much harm.

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335. DEA/11143-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 288 Paris, March 1, 1956

CONFIDENTIAL

Reference: Your telegram E-164 of February 23.
Repeat London No. 12; Washington No. 10.

OEEC MINISTERIAL COUNCIL: EUROPEAN COMMON MARKET

As we reported it had been agreed prior to the Ministerial Council that an opportunity would be afforded at the Ministerial Council for an exchange of views on the common market initiative of the six Messina countries. However, Mr. Macmillan decided that this exchange of views was not really necessary at this time and consequently no formal exchange of views took place. In private, however, the Messina ministers apparently gave assurances of their intention to cooperate fully with non-participating countries in the event that they should proceed with the formation of a common market.

2. Consequently we did not make the statement which you sent to us in your reference telegram. The United States Representative was also prepared to make a statement which, we were told by Shearer of their Permanent Delegation, would have indicated strong support of the common market. We wonder whether Mr. Macmillan heard about the United States statement before taking this item off the agenda.

3. Beyen (Netherlands), during the discussion on the programme of work, referred to the common market proposal. He said the Six wanted to go further than the OEEC but they never intended to hamper the liberalisation efforts of OEEC member countries nor did they wish to be an exclusive or protectionist group. On the contrary, they would welcome outside countries participating. He said the six countries felt they were striving for the strengthening of Europe. They did not wish to disrupt the work of OEEC which they considered a valuable instrument. During the discussion on tariffs, he said that if the OEEC endeavours resulted in reducing tariffs, the six countries would only feel proud and happy because they might have provided a stimulant. Following up these remarks he said that all Messina countries had trade and other relations outside the group and would not be opposed to looking into the problem which their efforts, if they were successful, would create not only for non-participating countries but for their own governments in their relations with non-participating countries. The problem of the relationship was just as much a concern to the Six as it was to non-participating countries.

4. Petitpierre (Switzerland) also alluded to the common market when he proposed positive steps to reduce tariffs before the end of the GATT discussions in order to ensure the consolidation of the 90 percent stage. The common market initiative seemed to him to be an expression of the need for more reciprocity in intra-European trade relationships. He thought the common market, however, would not be without danger for the whole European economy and he pleaded for immediate progress by all OEEC countries on an MFN basis presumably with a view to forestalling a common market initiative.

5. No other ministers referred to the common market specifically. The debate on the common market in OEEC has thus been postponed probably until the six countries have further developed their project. In the meantime, the statement of Mr. Beyen is at least encouraging.

[L.D.] WILGRESS

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336. DEA/50377-40

Note du chef de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division,
to Under-Secretary of State for External Affairs

SECRET [Ottawa], March 16, 1956

EUROPEAN INTEGRATION

You asked for my comments on the attached personal letters to the Minister dated February 23, from Mr. Robertson and Mr. Wilgress, on European integration.

2. Mr. Robertson puts forward the thought that the Coal and Steel Community should have authority to negotiate reciprocal agreements with non-member countries for the free movement of coal and steel products in both directions. The economic effect of this would be about the same as would be the case if such non-member countries were to join the Community. Mr. Robertson's idea is intended to apply to those countries which are unwilling to accept organic membership of the Community itself.

3. If I remember rightly the United Kingdom Government, about two years ago, was seriously considering just such a reciprocal arrangement for steel but not for coal. I thought it was largely because of opposition within the United Kingdom steel industry that the United Kingdom Government abandoned this idea, and instead entered into the present not very far-reaching arrangement. I am not sure that they are really likely to go back to their earlier idea; I suppose they might, however, in the somewhat different supply and demand situation Mr. Robertson envisages. Canada was consulted at that time about the possibility of the U.K. in effect entering the common market for steel, and we raised no objection. I doubt that our commercial interests (in terms of either markets or sources of supplies) would suffer significantly from any such arrangement between the Community and other western European countries. There would be some GATT technicalities to overcome, but these would probably not be insuperable.

4. I need hardly say that I am in full agreement with most of what Mr. Wilgress says in his letter. I am not competent to judge his assessment of what the Germans in their own interest are likely to do. They have not always acted in their own real interest in the past, but I am very doubtful whether the common market could or would restrain them from seeking a rapprochement with the USSR if that notion were to take firm root. There seems

to me no prospect that the approach to a common market will go far enough to bring about an effective customs union and have any really constructive effect on the structure of the economies of the six members. This is why I find it hard to accept the idea that there can be a political interest working in one direction and an economic interest pointing the opposite way. We are agreed that certain political aims are desirable; the proposal is that we should try to attain them by using an instrument which happens to be economic in character; my view and that of numerous other "economists" is that this instrument will break in our (or the Europeans') hands, and that we shall all then be worse off than before, in political as well as economic terms.

A.E. RITCHIE

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337. DEA/11143-40

Le sous-gouverneur de la Banque du Canada
au chef de la Direction économique

Deputy Governor of Bank of Canada
to Head, Economic Division

Ottawa, March 22, 1956

Dear Mr. Ritchie,

We have spoken a couple of times on the phone about your departmental record of the meeting on European integration which took place last month, and which you sent over under covering letter of February 27. I am sorry that I have been unable until now to put my comments down on paper.

I think the draft memorandum is an accurate enough account of what was said at the meeting, though it may convey the impression of a general consensus being reached on some matters on which the only views expressed were those of the political officers of your department. I have in mind particularly paragraphs 2 and 3 which emphasize the political necessity for something like Messina and describes the dangers of economic disintegration of Europe in quite strong terms. These things were said all right, but I don't think they were generally endorsed. At any rate, for my part, I do not feel I have the basis for an independent opinion on the political question; and I see little sign of Western Europe's "mingled stagnation and disintegration", economically, as described in paragraph 3, nor of the "crisis" which is stated in paragraph 7 to appear "imminent" and which is thought to justify any course, however desperate, to bind Germany to the West. I suspect that these points (at least the economic ones) are rather highly pitched in the draft memorandum.

The general conclusion on Messina reached in paragraph 3[21] seems to me, in essence, to be right, but I would not put it in quite the same way as the memorandum does. We really do not have enough information about the concrete steps which the Messina powers would take to be able to appraise their economic effects. We should certainly not oppose arrangements among European countries which will strengthen them economically and which will have desirable political consequences. We should not, on principle, be opposed to a customs union among the 6 countries, and indeed since this is provided for in GATT, subject to certain conditions, we are not entitled to oppose in principle. At the same time we must not lose sight of the possible dangers and pitfalls in the Messina idea and should, as the memorandum says, comment critically on particular proposals that seem harmful and dangerous. There are, it seems to me, two main dangers. The first is that the Messina proposal is not really a starter — that the countries concerned will, when it gets down to cases, not be willing to do away with tariffs and trade restrictions on trade with each other. The history of Benelux and the proposed Italo-French customs union supports this suspicion. Apart from the political let-down which would result when this became apparent, the economic risk here is that by proceeding only part way, the 6 European countries would accomplish little more than a new discriminatory regional grouping which did little or nothing for them economically while it injured the position of outside countries (including Canada) and at the same time slowed up the movement towards liberalizing trade and payments arrangements on a broad world-wide basis. The second main danger would appear to be that the European countries concerned could establish a true customs union only on the basis of tariff rates against the outside world considerably higher than those now in force in some of these countries.

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[21] Note marginale :/Marginal note:
8, I think. J.F. G[randy]

For these reasons, I would be inclined to word the general conclusion in paragraph 8 somewhat more cautiously than to say that "it would be premature at this stage for Canada to give positive support to these proposals". I think we could well express sympathy and support for the aims professed, but that until more details are available as to the concrete steps proposed our attitude should be one of benevolent but skeptical neutrality.

Yours sincerely,

L. RASMINSKY

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338. DEA/11143-40

Le sous-ministre adjoint du ministère des Finances au sous-secrétaire d'État aux Affaires extérieures

Assistant Deputy Minister of Department of Finance to Under-Secretary of State for External Affairs

SECRET Ottawa, March 22, 1956

Attention: Mr. A.E. Ritchie

Dear Sir:

I wish to thank you for sending me, in your letter of February 27, a draft memorandum on European integration. I have given it careful consideration.

On the whole, I consider the draft very good indeed. It reflects very well the sense of the interdepartmental meeting which considered the problem of European integration. There are, however, two points upon which I would like to comment.

In paragraph 4 on page 3 of the draft it is stated that "such matters as Canadian commercial interests were not likely to be seriously affected as a direct consequence of the Messina initiatives, and in any case were of secondary importance in relation to the major problem of ensuring the survival of Western Europe with which we were so closely and inevitably associated". This sentence struck me as perhaps dismissing a little too lightly the possible consequences of the Messina proposals for particular exporters or groups of exporters. I would suggest that the following wording might reflect the position more accurately: "Some Canadian commercial interests might be adversely affected, at least in the short run. However, if the Messina proposals seemed capable of making a significant contribution to the survival of Western Europe, Canada should be prepared to make some sacrifice for this cause." The last sentence of the paragraph should, of course, remain.

In paragraph 8 on the bottom of page 5 the conclusion is reached that "it would be premature at this stage for Canada to give positive support to those proposals". This suggests that Canadian support is merely being withheld for the time being. It seems to me that it would be better to say "it would be unwise for Canada to give positive support to those proposals". The rest of the paragraph, as it stands, adequately covers the point that the matter is to be kept under constant review, and that if and when concrete plans are put forward which allay our fears concerning the beneficial results for Western Europe, we might then be prepared to give our support.

Yours truly,
A.F.W. PLUMPTRE

c.c. Dr. Isbister
Dept. of Trade and Commerce.
Mr. L.M. Rasminsky
Bank of Canada.

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339. DEA/50377-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 1254 London, September 14, 1956

TOP SECRET (FOR CANADIAN EYES ONLY). IMMEDIATE.
Reference: Our telegram 1206 September 4.†
Repeat NATO Paris, Brussels (Information).

EUROPEAN INTEGRATION: COMMON MARKET PROPOSALS

I am told that to all intents and purposes decision has been reached to associate UK with European common market by way of free trade area arrangement. This decision has been pressed by Thorneycroft and Macmillan and is expected to receive final endorsement as soon as time can be found for consideration by full Cabinet. This has been difficult in recent weeks because of Cabinet preoccupation with Suez crisis.

2. It is hoped that Cabinet approval of decision will be given before Commonwealth Finance Ministers meet in Washington later this month. In that case Macmillan would avail himself of opportunity to initiate consultations with his Commonwealth colleagues. It is also possible that Thorneycroft might go to Washington for this purpose. I understand that UK High Commissioners have already received message for communication to Commonwealth governments to which they are accredited to be used if and when Cabinet approval has been confirmed.

3. Terms of UK decision are that this country would be prepared to enter into consultations with Messina powers with a view to entering into free trade area arrangement which would exclude "food and feed". This exclusion was dictated by two considerations. First, Government do not feel they can abandon their commitments to British agriculture. Sec-

ond, exclusion of agricultural commodities would protect bulk of preferences at present being granted to Commonwealth producers in UK market. While exclusion is categorical at this time, I was given impression that Government may be prepared to reconsider their position if they find Europeans unwilling to negotiate on this basis. On the other hand, it may well be, of course, that British position on exclusion of agriculture will play into hands of those Messina powers who have insisted all along that progress on removal of barriers to trade in agricultural commodities must be gradual and that agricultural sector should be last to be freed.

4. Government envisage consultations with Commonwealth governments almost as first step. This is because reactions of Commonwealth governments will carry considerable weight with Conservative Party and Labour Opposition. Although Labour Party spokesmen have strongly advocated British association with European common market in one form or another, it is felt that consultation with them is imperative, not only because proposed policy represents long-term commitment, but also because final position of Labour Party will have to take into account trade union reaction which might well be less enthusiastic. Consultations are also envisaged with Americans who, while favourably inclined to closer British ties with Europe on general policy grounds, might grow restive as time goes on. This could conceivably lead to American pressure for concessions in UK market to appease sectional interests in USA.

5. British decision, if and when confirmed by Cabinet, represents major policy shift. It was taken, I assume, partly on political grounds and partly because existence of a common market in Europe from which Britain was excluded posed an inescapable threat to British economy. Prospect of loss of some Australian preferences may well have precipitated decision. I am also inclined to think that Thorneycroft, among others, had in mind advantages which would result for domestic economy from increased competition.

6. To the extent that major policy shift is involved, I am a little surprised that no attempt has been made to prepare ground in Commonwealth countries. Preoccupation with Suez has, no doubt, overshadowed other issues in recent weeks and Government here may feel that there will be sufficient time for consultation on a policy that will not come to full fruition for a decade or more. Fact remains, however, that Australia and New Zealand have strong psychological attachment to Commonwealth preferential trading system, even if exclusion of agricultural commodities is likely to minimize effect on their trade with UK and that Canada, while less attached to preferences, will probably be more directly affected by free trade area arrangement between UK and European common market.

7. I assume that you will wish to prepare briefing for Mr. Harris before he goes to Washington. In particular you will wish to look at preferences we now enjoy in this market on non-agricultural products and some of which, I imagine, are more sensitive than others. On broader policy grounds, I understand that proposed arrangement with Europe is not intended either to replace or to inhibit progress with collective approach. In fact, Treasury think that free trade area arrangement with Europe spells beginning of end of use of quantitative restrictions as means of protecting balance of payments. These and many other ramifications of closer association with Europe are bound to be scrutinized very carefully before actual terms of association can be worked out.

8. NATO Mission please pass to Minister and Ritchie.

340. DEA/50377-40

Note de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Economic Division
to Under-Secretary of State for External Affairs

SECRET [Ottawa], September 19, 1956

THE UNITED KINGDOM AND THE COMMON MARKET

Attached is a copy of a message which the Chancellor of the Exchequer has sent to the Minister of Finance. You will see that the United Kingdom's proposed decision to associate itself in a free trade area with the Common Market will be discussed at a meeting of Commonwealth Finance Ministers in Washington which begins on September 29.

2. This proposed decision raises very sharply for Canada the question of where our long-term political and economic interests lie. Ever since the first steps were taken in 1935 to lessen the discriminatory features of the preferential system which reached its height in 1932 we have been working towards a trading system in which the United States, the United Kingdom and Canada could trade together on a basis of lower tariffs and a gradual withering away of the preferences which discriminated against the United States. I think part of the theory that has informed this policy has been the assumption that our ability to maintain a reasonable degree of national independence, as well as our economic interests, would best be served by a trading system in which we, the United Kingdom and the United States participated on fairly equal terms.

3. One question that arises, then, is to what extent the United Kingdom proposal would upset the balance of Canadian interests, i.e. how extensive a trade barrier would arise between the United Kingdom and Canada, and to what extent Canada would have to depend more on trade with the United States, and perhaps eventually to come under increased United States political influence.

4. It must be recognized that since the war there has in any case been a serious barrier facing Canadian exporters to the United Kingdom, the existence of the sterling-dollar imbalance and the quantitative import restrictions maintained by the United Kingdom against the dollar area. Some considerable progress has been made since 1952 in reducing these restrictions and putting some of them on a non-discriminatory basis. Although this progress has pretty well come to a halt we would have hoped that further steps would be taken as soon as the United Kingdom's balance of payments improved again. (In paragraph 7 the Chancellor indicates that this would remain the aim of the United Kingdom. It is, however, difficult to believe that progress in this field will not be held back by the association with the Common Market. The necessary tariff adjustments vis-à-vis Europe will be difficult enough for United Kingdom industries; it is doubtful whether they will have much tolerance left for the additional impact of the removal of restrictions against dollar imports.)

5. We have always had some hope that we could eventually re-enter the United Kingdom market for some of the exports which are now prohibited on balance of payments grounds. The present proposal, however, would set up permanent barriers against some of our exports, with effects on the Canadian economy which we cannot yet judge.

6. Some time ago the Department of Trade and Commerce began a study of the implications for Canadian exports of this kind of association. This has not been completed but is

now being speeded up. In the meantime, one could hazard a few generalizations. In foods such as wheat our position would be unaffected. In raw materials which represent an important part of our exports we would be unlikely to suffer. In semi-processed items, which are also important, we would probably be seriously affected. A good example is industrial chemicals, where at the moment we are able to compete on equal terms with the United States and Germany, but could probably not expect to compete against Germany if the latter had free entry and we did not. A similar situation would prevail in most manufactures. In the latter we have very limited access to the United Kingdom market at present because of existing restrictions on dollar imports. We would have hoped, however, to participate more and more in the United Kingdom market in the future. To do so in the face of a United Kingdom tariff preference to Germany would be very difficult.

7. It is in just these fields (where we might eventually have built up a useful trade with the United Kingdom) that it is most difficult to make sales to the United States, partly because the United States tariff is highest on manufactured goods, and partly because of the economies of large scale production in the United States. We may therefore have to concentrate increasingly on the production and sale of raw materials and slightly processed materials instead of building up a more diversified trade.

8. While it seemed worth while to put down these initial reactions with respect to the possible implications for Canada of such a decision, I recognize that there are other important considerations to take into account, notably the implications for Western Europe. Clearly such a decision by the United Kingdom would add greatly to the strength of the movement towards economic integration, and might possibly steer it along slightly more liberal lines than we might otherwise have expected. At the same time the Canadian reaction cannot now be based solely upon a consideration of the advantages and disadvantages of a Common Market on the continent; it must also take into account the nature of our economic and possibly our political relationships with the United Kingdom and the United States.

9. It is expected in the Department of Finance that Mr. Harris will probably circulate to other Ministers concerned a draft statement he would propose to make in the meeting of Finance Ministers. The gist of this would probably be that this is such a momentous and interesting proposal that it is impossible (on ten days' notice) to say what the Canadian Government's reaction is until there has been an opportunity to study the ramifications of such a step on the part of the United Kingdom.

J.F. GRANDY

[PIÈCE JOINTE/ENCLOSURE]

Le chancelier de l'Échiquier du Royaume-Uni au ministre des Finances

Chancellor of Exchequer of United Kingdom to Minister of Finance

SECRET [London, n.d.]

I am looking forward with pleasure, to the prospect of meeting you at the end of this month, at the Fund and Bank Meetings in Washington. There is a matter of importance to us which I want to discuss at the meeting of Commonwealth Finance Ministers on 29th September, and on which I think it right to give you some prior notice.

2. There is we believe, much force in the widely held view that so long as Europe consists of a number of separate national economies, these cannot provide a large enough market to be a satisfactory base for modern industry, technically equipped and adequately developed to compete with the mass production potential of the United States of America and the U.S.S.R. We have necessarily great sympathy for the present efforts of the Messina Powers, who are at this moment planning to form a Customs Union among themselves. But because of our interests outside Europe, and in particular our close and mutual trading links with the other countries of the Commonwealth, the United Kingdom itself could not in any circumstances join such a Customs Union; to do so would mean giving up our own tariff and our external trading arrangements.

3. We are therefore, as the Foreign Secretary explained to the Commonwealth Prime Ministers this summer, faced with a dilemma. If the Messina Customs Union is formed with us outside it, it would tend to be a narrow regional bloc, dominated by Germany and our exports to Europe might be squeezed out; Europe would be divided and our economic and indeed political position there might be gravely threatened. On the other hand, if we stand entirely aloof, a movement calculated not only to benefit Europe economically, but to revive it politically, may collapse. We have therefore been giving further thought to how we might be associated with this movement. It goes without saying that our first purpose will be to maintain our association with the Commonwealth.

4. It appears to us that perhaps the right course might be for us to seek together with other countries in Western Europe, particularly Scandinavia, to be associated with the Customs Union in a free trade area over the whole field of trade except food. Broadly, this would mean that over a period of say ten years, we and the other members would undertake reciprocally to reduce, and finally abolish our tariffs on imports of raw materials and manufactured goods from one another within the free trade area; but we should retain our present freedom to maintain, or alter our tariff arrangements with other countries. We should also retain the right to impose non-protective revenue duties. But such arrangements would, so far as we are concerned, be quite inappropriate for agricultural products, and we should make it an unqualified condition that food, including manufactured food, feeding stuffs, drink and tobacco should be excluded from the scope of the area. This exclusion would not enable us to continue our existing agricultural policy, but would also safeguard the existing preferential advantages enjoyed by the great bulk of Commonwealth exports to the United Kingdom. We would not expect the free trade area to include the dependent territories of any of the members, but this would remain uncertain until we found out European reactions to our main proposals and their views on this question; in the meantime, we are consulting our own colonial territories on their possible interest.

5. Arrangements of this kind could, we believe, be of great positive advantage to the Commonwealth as a whole. A politically stable and economically developing Europe should provide an expending market for products of Commonwealth countries, even though they themselves were not members of the area. Moreover, a powerful economic unit should be able to provide capital for investment in Commonwealth countries on a scale greater than the United Kingdom alone could hope to make available. For the United Kingdom itself, a market of 240 million people would present us with very great opportunities. Clearly, we should not be able to take advantage of them unless our industry were on its toes and able to compete effectively, in particular with German industry. But my colleagues and I are convinced that we could and should meet such a challenge. Indeed we must meet it, whatever our trading arrangements.

6. Naturally the success of such a move would depend on the continued adoption and maintenance of strict internal policies in the United Kingdom. But such policies are neces-

sary in any event. Given such internal policies, a move of this kind would strengthen United Kingdom industry and give it both the need and the opportunity to be more thoroughly competitive, not only in Europe, but also in Commonwealth and other foreign markets. The object of such arrangements would be to strengthen the United Kingdom economy and thereby to strengthen sterling and broaden its use as an international currency. They could not in our view, be regarded as a reversal of the policy we have hammered out together in successive Commonwealth meetings. On the contrary, we would regard them as entirely consistent with, and of assistance to, the objects of the collective approach to freer trade and payments, and to convertibility. The whole free trade area would be so large and have so considerable extra-European interests, that there would be no danger of it developing into an inward-looking regional group. It would remain essential for us to pursue and to press others to pursue a policy of non-discrimination in the removal of quota restrictions; and as regards tariffs, though we should progressively be removing our tariffs towards Europe, we should not be required to raise them against others. The general framework of the G.A.T.T. in which reductions of tariffs can be negotiated on a world wide basis would remain central to our commercial policy. We should of course retain the right under existing rules to impose quantitative restrictions for balance of payments reasons to protect sterling. But it is fundamental to our conception that the free trade area in Europe should be created by the removal of trade barriers between its members, and *not* by the introduction of new barriers against the trade of other countries.

7. Through the exclusion of all foodstuffs from the scope of the free trade area an essential condition on which we should insist without qualification, we should be free to continue the present advantages in this important sector which other Commonwealth countries at present enjoy. For all other goods the United Kingdom would be moving progressively towards according European goods the free entry treatment which the Commonwealth countries already enjoy in the United Kingdom market; and some consequential adjustments arising from guaranteed preference margins in some of our trade agreements with other Commonwealth countries would need consideration. But apart from this we ourselves would wish to carry on with our existing Commonwealth trade agreements and the preferences provided by our tariff against imports from foreign countries outside the free trade area, would not be affected.

8. The creation of a free trade area on these lines would not affect the preponderant part of present Canadian exporters to the United Kingdom; and the United Kingdom would of course, aim to continue the progress which we have made in recent years in reducing and removing quota restrictions on imports from Canada. In tariffs, the United Kingdom would be free to maintain free entry where at present that exists. Food would be unaffected. On raw materials and manufactures, Canada would by the end of the ten year period have lost her present preferences against European producers though her preferences against supplies from the rest of the world including United States of America would be unaffected.

9. The President of the Board of Trade is arranging to join me in Washington at the end of September, and he and I will elaborate these ideas to you when we meet. I must emphasize that we have not yet taken our decisions on these far reaching questions they are not decisions which we could take until we had been able to consult the other countries of the Commonwealth and indeed we are still examining how we might expect them to affect our own economy. Moreover though we expect that proposals of this kind would be well received in Europe we do not know whether all these parts of the proposals to which we would attach the greatest importance would be acceptable, we cannot be sure whether arrangements for a free trade area acceptable to us could be negotiated. Not until a much later date should we be in a position to consider with you the detailed arrangements that

such proposals might involve. But I hope that when we have been able to discuss together the broad lines of our idea, you will be able to give some indication how they strike you.[22]

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341. DEA/50377-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 1281 London, September 19, 1956

SECRET. IMMEDIATE.

Reference: My telegram 1254 September 14.
Repeat NATO Delegation Paris (for the Minister) (Information).

EUROPEAN INTEGRATION — COMMON MARKET PROPOSALS

1. You will now have received the Chancellor of the Exchequer's message to the Minister of Finance, outlining the proposals for the association of the UK with a European free trade area, which UK Ministers hope can be discussed at the Commonwealth Finance Ministers meeting in Washington on Saturday September 29.

2. The President of the Board of Trade asked me to come and see him yesterday. He was supported by Mr. A.R. Low, Minister of State at the Board of Trade, and by Sir Edgar Cohen, who has been acting as Permanent Secretary in Sir Frank Lee's absence. Thorneycroft went over the argument for their proposals which is very clearly set out in Mr. Macmillan's message to Mr. Harris. The Cabinet have not yet committed themselves to the proposals, but they have agreed, after a good deal of heart searching, that Macmillan and Thorneycroft should put them up for consideration at the Commonwealth Finance Ministers' meeting. My judgment is that it represents a long and difficult step forward for a Tory Government to take. The economic reasons for the UK taking this step seem to me to be very strong, and I believe that the political consequences of this new approach from the UK to the continent can be very important.

3. Thorneycroft thinks that the Cabinet support for their policy will be greatly strengthened and the risk of Conservative back bench opposition diminished if other Commonwealth governments feel that they can welcome, or at least say that they can live with, this new development in British international economic policy. In this situation he feels that the general attitude of the Canadian Government towards this new initiative may be of pretty decisive importance. He would particularly like to have an opportunity of discussing his plans informally with Mr. Howe before he introduces them in the larger meeting in Washington and could, if it were convenient to Mr. Howe, arrange to come to Ottawa for this purpose on Wednesday September 26. He could leave here on Tuesday, be in Ottawa Wednesday afternoon, and leave for Washington on Thursday afternoon.

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[22] Sur sa copie de ce document, dont il a pris connaissance à Paris le 20 septembre 1956, Pearson a fait la notation suivante : I think that this is a very encouraging statement of the UK position. L.B. P[earson]. Voir L.D. Wilgress, note pour M. Pearson, 20 septembre 1956, MAE 50377-40.

On his copy of this document, which he saw in Paris on September 20, 1956, Pearson made the following notation: I think that this is a very encouraging statement of the UK position. L.B. P[earson]. See L.D. Wilgress, Memorandum for Mr. Pearson, September 20, 1956, DEA 50377-40

4. I have encouraged Thorneycroft to come to Ottawa before he goes to Washington, and I hope you will be able to let them know that these arrangements would be agreeable to Mr. Howe.

[N.A.] ROBERTSON

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342. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM E-777 Ottawa, September 21, 1956

SECRET. IMMEDIATE.
Repeat London (Information).

THE UNITED KINGDOM AND THE COMMON MARKET

Following for Minister

Following is a draft statement prepared in the Department of finance which Mr. Harris might make at the Washington meeting of Commonwealth Finance Ministers next week. Mr. Howe and Mr. Harris will be considering this draft statement together today. It would be helpful to have your comments as soon as possible. We will be sending our own views in a separate telegram.

Text begins:

EUROPEAN INTEGRATION

DRAFT STATEMENT FOR MEETING OF COMMONWEALTH FINANCE MINISTERS IN WASHINGTON

It was only last week, Mr. Chairman, that I received the paper on European Integration which you sent us in advance of this meeting. It raises economic and political issues of the highest importance, and there has been no time to give it concerted Cabinet consideration or even to reach a balanced individual judgment regarding it. Hence what I have to say today must be regarded as preliminary as well as personal. Nevertheless, it may be useful to you and others around this table to know how your proposed new course looks to one pair of Canadian eyes. And let me state immediately that I view it with very mixed feelings — with real appreciation and sympathy and yet not without real apprehension.

2. Both the Prime Minister and also my colleagues Mr. Howe and Mr. Pearson have from time to time made statements relating to European economic integration. These have been made in NATO, in the OEEC, in Commonwealth gatherings, and elsewhere. They have usually expressed two sentiments. On the one hand, they have urged that if some form of European integration were to be sought, it should be achieved by a reduction of internal barriers, not by an increase in external barriers. In the second place, they have warned that, while any new form of preferential treatment can bring the "insiders" closer together, it can scarcely fail to carry with it some increased sense of severance and separation between the "insiders" and the "outsiders". This, of course, has political as well as economic implications.

3. In Canada we have watched with appreciation the emergence, particularly since the last War, of a spirit of European solidarity and community. It was division in Europe, especially division between Germany and the rest, that drew Canada successively into two world wars. Any plans which promise to heal old wounds, and to make the body of Europe whole and strong, must naturally call forth a warm and sympathetic response in my country. And this is especially true now it is so necessary for Europe, including Germany, to stand strong and united against a confusing mixture of threats and enticements from farther to the East.

4. Having said this, I must immediately add that the proposal you have put before us, Mr. Chancellor, differs from other proposals for European economic integration that have been under serious consideration previously, for these have been less ambitious in terms of the countries affected or the commodities covered, or both. Generally they have excluded the United Kingdom, just as they have excluded others around this table and also the United States. The new proposal is, however, that the U.K. should be connected with Europe in a permanent preferential trading area, and area that might be said to discriminate against the whole of the rest of the English-speaking world.

5. Others around this table will, of course, be speaking for themselves. But it may be helpful to say something regarding possible attitudes both in Canada and in the U.S.A. First a word about Canada. On reading your paper I recognized that your exclusion of foods and foodstuffs would mean that, tariff-wise, Canada would be no worse and no better off in this field than at present, and that in such materials as lumber and base metals our position in the U.K. and in Europe would be little worse. Nevertheless, we retain both a small immediate interest and also a larger longer term interest in the U.K. market and even in the European market for manufactured goods, from which we have been so largely shut out since the war. A tariff arrangement favouring all the highly industrialized countries of Europe would, I fear, completely exclude us, and this would be very important to us in terms of the possibilities of diversification of our exports and our export markets.

6. As you may know, Mr. Chairman, there are many in Canada who take a serious view, often a highly exaggerated view, of our alleged dependence on the United States — dependence for markets and dependence for capital. We have been rather scrupulous, recently, not to damage the fabric of our trade relations with other countries and especially with the U.K. I rather fear that proposals on your part to eliminate U.K. preferences in our favour, and indeed to reverse them, might be interpreted as pushing Canada into the arms of the U.S.A.

7. In the U.S.A. itself, there would no doubt be widespread repercussions and ramifications. If the main industrialized countries, other than Russia and Japan, pursue a collective policy of tariff preferences in favour of each other and against the U.S.A. this will surely promote the growth of a sense of isolation in that country; and isolation is likely to breed isolationism. It is true that certain voices in the U.S.A., some of them in the highest places, have given praise and encouragement to plans for European economic integration. Yet I cannot help feeling that this project was easier for them to support when it was relatively small and abstract than it will be when it is broad and concrete. The inclusion of the most powerful and influential country of all in this group to be integrated is likely to make the whole project look considerably different to North American eyes.

8. Both Canada and the U.S.A. would be faced, in the first instance, by a new form of tariff preference against them. But further, I would hazard a guess that the restrictions against dollar imports would, in some European countries at least, be dismantled less rapidly than otherwise. Europe's new economic strength would not develop overnight. Mean-

while, the discomforts of achieving a free trade area would make some European governments doubly reluctant to expose themselves to the discomforts of trans Atlantic competition as well.

9. On the other hand, many features of your paper, Mr. Chancellor, were most welcome. To begin with, as I have said already, we welcome with warmth and sympathy any action that promotes European solidarity. We welcome your assurances that, so far as the U.K. is concerned, trade barriers are to be lowered, not raised; many integration schemes have seemed to be slanted in a different direction. We particularly welcome the restatement of U.K. policy regarding "non-discrimination in the removal of quantitative restrictions" and look forward to the continued support of the U.K. against any others who may be ready to use this excuse to retain or even increase their discriminatory trade restrictions against us. Finally, Mr. Chairman, we welcome the assurance that GATT is still central to U.K. commercial policy. The articles of GATT set forth, of course, accepted conditions for the establishment both of customs unions and free trade areas. We would trust that the full influence of the U.K. would be thrown not only into ensuring that, in principle, any new European arrangement conformed to these conditions but also that, as detailed plans were worked out, the Contracting Parties would be kept informed and given adequate opportunity to make their views known.

10. In conclusion, Mr. Chancellor, I should like to thank you for putting this matter before us. I am sure that all of us welcome this chance for informal and preliminary discussion. We shall be reporting back to our own Governments the views expressed here and I have no doubt we shall have further and more fully considered views to exchange in the future.

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343. DEA/50377-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM SS-177 Ottawa, September 21, 1956

TOP SECRET. IMMEDIATE.
Reference: Our telegram E-777 of September 21.
Repeat London (Information).

UK ASSOCIATION WITH EUROPEAN COMMON MARKET — DRAFT STATEMENT FOR COMMONWEALTH FINANCE MINISTERS' MEETING

Following personal for the Minister.

1. Although you will hardly need our comments on the statement drafted for Mr. Harris by Finance, I should like to put forward some supplementary thoughts which have a bearing on the perspective of the draft statement of the Canadian government's position. Partly because it is intentionally so tentative I am afraid that the present draft would be bound to give UK ministers the impression that when it comes to the point Canada is less sympathetic than we had led them to expect both in public and private statements. You may recollect that in your address to the English Speaking Union in London on April 30 you

gave a general blessing to U.K. closer association with the Continent.[23] The views Canada will express at the Washington meeting of Commonwealth Finance Ministers are all the more important to the U.K. because they may influence Australian and New Zealand reactions. From Mr. Robertson's reports and from Mr. Macmillan's message to Mr. Harris it is clear that the U.K. ministers hope for a reasonably sympathetic lead from Canada in the difficult political decision they have taken or are about to take. The Canadian reaction will also carry some weight in Washington where political considerations will also have to be weighed against possible economic losses.

2. Trade and Commerce officials are preparing detailed studies of effect of UK association in European free trade area with common market. Their preliminary conclusion (with respect to the UK only) is that 10% of present Canadian exports would be affected. These are mainly in the fields of semi and highly manufactured goods. In some of these fields however our access to the UK market is also limited by restrictions on dollar imports which we have always hoped would be temporary. These are also the fields in which the US tariff is generally high. At the same time, if Western Europe and the UK are really strengthened economically and politically by the proposed scheme, Canada might eventually gain even in economic terms through ultimately more prosperous markets for our exports, although this might take many years to be felt. In the short term there would be a good deal of discomfort for a number of Canadian industries, although the proposed exclusion of foodstuffs would keep some important Canadian products from being affected.

3. I do not myself see how anyone can quarrel with the general proposition now accepted by the UK that bigger economic units would help Western Europe and UK to compete successfully with mass production potential of USA and USSR. There are many signs of economic weakness in Europe. No doubt Suez crisis is also having important psychological effects as M. Mollet's recent statements testify. Politically there can develop a stronger wish for something closer to a common foreign policy, while economically the need for modernizing industry and finding supplementary power resources in the next decade or so are providing strong incentives for European integration. The UK position will go some way towards removing European hesitations which are still strong; it may be compared, I think, to UK decision to commit itself to station troops in Germany in order to save the wreckage of EDC.

4. I regret we have not had more time to consult you and prepare fuller comments but Mr. Macmillan's message reached us only on September 19 and we did not know until yesterday that Mr. Thorneycroft might visit Ottawa enroute to Washington.

5. In general we share Mr. Robertson's appreciation of this problem chiefly because we feel that in the long run the political factors are so much more important than any other. For this reason, and also because the political and economic ramifications for several Commonwealth countries are so complex, I wonder if, after giving the UK proposal first reading at their meeting next week the Finance Ministers might not consider a second reading later in the year with Foreign and Trade Ministers also present, or perhaps even a Commonwealth economic conference on the subject.

6. I hope to send you tomorrow morning my suggested re-draft of Mr. Harris's statement which I regard as incomplete in its present form.

7. I am repeating this message to Mr. Robertson, hoping also for his comments.

[J.] LÉGER

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[23] Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 8, N° 6, juin 1956, pp. 179-184.
See Canada, Department of External Affairs, *External Affairs*, Vol. 8, No. 6, June 1956, pp. 171-175.

344. DEA/50377-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM SS-190 Ottawa, September 22, 1956

SECRET. MOST IMMEDIATE.
Reference: Our telegram SS-177 September 21.
Repeat London (Immediate. Information).

DRAFT CANADIAN STATEMENT FOR COMMONWEALTH FINANCE MINISTERS' MEETING

Apart from minor editorial changes in Mr. Harris' draft statement on European integration, I would suggest re-writing paragraph 6 and adding a final paragraph as follows:

Paragraph 6. The United States will of course express its own views at an opportune time and these will carry great weight. It is true that certain voices in the U.S.A., some of them in the highest places, have given praise and encouragement to plans for European economic integration. Such plans may have been easier for them to support when they were small and abstract than when they have become strengthened by the adherence of the U.K. and perhaps other OEEC members. If the main industrialized countries, other than U.S.S.R. and Japan, pursue a collective policy of tariff preferences in favour of each other, (and to that extent against the U.S.A.), is there any danger that the growth of a sense of isolation in that country might be promoted? You will no doubt have made a calculation of the probable U.S. reaction, and I think it would be useful if we could compare notes on what will certainly be one of the key factors in this new situation.

Final paragraph. In the meantime I can assure you that the political and economic objectives of this extremely important and indeed bold proposal are appreciated by my government. The Canadian government is of course willing to consider any scheme whereby the U.K. would be associating itself more closely with the other countries of Western Europe for any increase in the collective strength, prosperity and welfare of that area of the world is our gain. At the same time I am sure you appreciate how carefully a Canadian government must study the implications of this proposal for Canada's external trade and the structure of the Canadian economy. I can assure you that we will undertake this study with a sympathetic understanding of the motives which have led you to put forward these ideas and a full recognition of the important political objectives you have in mind — objectives which we naturally share. Ends.

345. DEA/50377-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 2002 Paris, September 23, 1956

TOP SECRET. IMPORTANT.
Reference: Your Telegrams E-777, SS-177 and SS-190.
Repeat London (Important. Information).

UK ASSOCIATION WITH EUROPEAN COMMON MARKET — DRAFT STATEMENT FOR COMMONWEALTH FINANCE MINISTERS' MEETING

I have read with much interest your comments on the proposed statement from the Minister of Finance. I feel that we should be as forthcoming and sympathetic as possible in our reaction to the UK move and that we should not let the possibility of immediate Canadian difficulties obscure the short range political and the longer range economic advantages of this development. That is why I feel that paragraph 6, as rewritten, and the final paragraph improve the draft statement. I have been in touch with Mr. Robertson by telephone and will be discussing the matter with him again this evening after which he also will be sending you a message.

L.B. PEARSON

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346. DEA/50377-40

Le haut-commissaire au Royaume-Uni au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom to Secretary of State for External Affairs

TELEGRAM 1305 London, September 24, 1956

SECRET. MOST IMMEDIATE.
Reference: Your telegram E-777 September 21.
Repeat Paris (Information).

UK AND THE COMMON MARKET

I had a word with Mr. Pearson in Paris last night about your messages and at his suggestion am amplifying the points made in his telegram NATO 2002. My telegram 1281 emphasized how much importance the government here attach to the first reaction of other Commonwealth countries to the free trade area scheme. This is because a favourable Commonwealth reaction is needed to strengthen the hands of the government with their own supporters and indeed, with all segments of public opinion in this country if they are really going to go ahead with their policy.

2. There is no doubt that the UK are hoping for a lead to come from Canada at the forthcoming consultations in Washington. We are, after all, more closely concerned with Europe than any other Commonwealth country both through our NATO membership and

through our association with the OEEC. As such, we should be in a better position than other Commonwealth countries to assess the strength of the political factors which have prompted the UK to throw in their weight with a common market in Europe. We have also, of course, taken a rather more pragmatic view than others of the value of Commonwealth preference and to that extent might be expected to accept more readily some modification of the trading advantages available to us in the UK market.

3. The fact of the matter is that the adjustments which may be required on the part of Commonwealth countries are only one element in the free trade area scheme. By far the more difficult and far reaching adjustments will, after all, be required in the domestic economy of this country. The proponents of the free trade area association with Europe see it as a means of forcing the UK to make herself more competitive. Indeed, the whole assumption on which UK participation in a free trade area scheme (in common with her major competitor, Germany) is based, is that British industry will learn, as Mr. Macmillan put it in his message, to get "on its toes and .... compete effectively". Needless to say, this will involve fundamental adjustments not only in production processes but in attitudes towards competition throughout industry in this country.

4. It is important to recognize that the free trade area association is not the "easy way out" for this country. It has its risks because nobody can say confidently how the different sectors of the economy will respond to this new challenge. This being so, I would think that our statement should show some recognition of the bold and imaginative nature of the action which the UK is preparing itself to take.

5. In its present form, our draft statement refers to the danger that "the discomforts of achieving a free trade area might make some European governments doubly reluctant to expose themselves to the discomforts of trans Atlantic competition as well". My own feeling is that a Europe that has been exposed to the forces of competition internally is much less likely to regard with apprehension the spectre of competition from across the Atlantic. Moreover, the removal of internal tariff barriers in Europe is bound to generate pressures in each country to have access to the best and cheapest equipment and materials with which to meet competition within the area. I would expect, therefore, that as time goes on the present artificial barriers to trade in Europe will come to be regarded as less rather than more necessary.

6. I also feel that we must accept as genuine the British contention that the free trade area solution is not only consistent with but actually "of assistance to the objects of the collective approach .... and to convertibility". We know that the UK will not move to convertibility unless sterling is strong and sterling is unlikely to be really strong unless the underlying position of the economy can be strengthened. The progressive injection of large doses of genuine competition is, in my view, a factor that offers greater promise than any other of strengthening the British economy. To the extent that the UK participation in a European common market would do just that, it is more likely to help than to hinder progress in the direction of ultimate convertibility. It is not a matter of coincidence, therefore, there is an overwhelming case for a sympathetic Canadian response to the British approach. If our response were to be too guarded at this stage, we might risk killing the scheme and I assume that we have no wish to do so. If on the other hand, we were to welcome the scheme as the momentous step in the direction of a stronger Europe which it could be, we would have many opportunities, both before the free trade area comes into being and as it evolves over the next decade or so, of influencing the form of the scheme in the direction best calculated to serve and protect our interests.

8. Over the weekend I have had an opportunity of comparing notes with the Economic Minister at the American Embassy (Win Brown) and I gather that his general reporting to Washington on these developments is very closely in line with ours. The Americans, I think, are likely to welcome this initiative from the UK without in any way giving up their long run interests in getting rid of European dollar discrimination.

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347. DEA/50377-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 1306 London, September 24, 1956

SECRET. MOST IMMEDIATE.
Reference: Your telegram SS-190 September 22 and my immediately preceding telegram.
Repeat NATO Paris (Information).

UK AND THE COMMON MARKET

The final paragraph which you propose to have added to Mr. Harris' draft statement is very much along the lines I had in mind and should serve to put to whole statement in much better prospective.

2. I am not yet persuaded, however, that paragraph 6, even as redrafted, would serve any useful purpose. There is some danger, I think, in our attempting to predict the American reaction to the free trade area proposals, especially since we may not be giving full weight to the extent to which the Americans could already be said to have come out in favour of a really effective scheme for European integration.

3. I understand that the British have now broached their proposals to the Americans and Macmillan and Thorneycroft would, no doubt, wish to inform their Commonwealth colleagues of the results of their consultations with the Americans if there were anything of interest to report by the time of the Finance Ministers' meeting.

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348. DEA/50377-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs

TELEGRAM 1572 Paris, September 24, 1956

SECRET. IMMEDIATE.
Reference: Your telegram SS-190 September 22.
Repeat London (Information).

CANADIAN STATEMENT FOR COMMONWEALTH FINANCE MINISTERS' MEETING

We were grateful for the opportunity your telegram to the Minister afforded of reading your suggested rewriting of paragraph 6 and your suggested final paragraph.

2. We consider your redraft of paragraph 6 to be a great improvement over that contained in the original draft statement which was expressed in too quibbling and rather provocative form.

3. As regards the proposed final paragraph we think it should be judged in relation to the difficult period of negotiations which lies ahead in GATT and other forums. We do not think the Canadian government should go too far towards giving the UK a blank cheque in advance of these negotiations. Moreover, the final paragraph, particularly the last sentence, is somewhat hypocritical. A recognition of the important political objectives is not the principal motive which has induced the UK to put forward these ideas as stated in the final sentence. As their own statement indicates they are putting forward the proposals for a free trade area in self defence because they could not contemplate the discrimination against British trade which a customs union without UK associated would have involved. Their approach, therefore, is a purely pragmatic one. It might prejudice our position in the future if we flatter them by crediting higher motives such as recognition of the important political objectives which a short time ago they were decrying.

[L.D.] WILGRESS

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349. DEA/12447-40

Note du chef de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division,
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], September 26, 1956

EUROPEAN COMMON MARKET AND FREE TRADE AREA — MR. HOWE'S CONVERSATION WITH MR. THORNEYCROFT

Mr. Thorneycroft saw Mr. Howe this afternoon and presented the case for United Kingdom participation in a European Free Trade Area on lines very similar to those contained in the Chancellor's message to Mr. Harris.

2. Mr. Howe explained that he had not had an opportunity to consider Mr. Macmillan's memorandum thoroughly or to discuss it with his Cabinet colleagues. He realized that Canada could not be neutral on the large issues involved. He also knew that an arrangement of the kind which the United Kingdom was now contemplating might have very great political value. He thought Mr. Thorneycroft would appreciate that such an arrangement would create domestic problems in Canada as it would in the United Kingdom; in particular it might lead to the criticism that the Ottawa Preferential Agreements were being scrapped. In addition it might affect United States-Canadian relations very substantially and throw Canada even more into the arms of the United States. The Canadian Government naturally would consider the proposal very carefully and would let the United Kingdom Government have its views as soon as possible.

3. These exchanges were followed by a very interesting discussion on some of the technical problems involved (for example, the method of determining "origin" of goods entering into trade in the Area, the rules to govern the use of quotas or quantitative restrictions

inside the Area and possibly outside as well, the likelihood of private cartels taking the place of tariffs in controlling trade among the participants). One of the most interesting points made by Thorneycroft in this discussion had to do with the intentions of the United Kingdom with respect to goods which are now subject to duty even when imported from Canada or other Commonwealth sources. Clearly when the Free Trade Area comes fully into being these goods, like all others, will be admitted without duty from other countries in the Area. If the old duties continued to be charged on Commonwealth goods the United Kingdom would in effect be discriminating against Commonwealth countries in favour of the participants in the arrangement (even though Commonwealth countries might still receive a preference over non-Commonwealth countries outside the Area). Mr. Thorneycroft emphasized that it was not the purpose of the United Kingdom Government to discriminate against Canada or other Commonwealth members in this manner, and that the United Kingdom would be prepared to have discussions or negotiations on particular items with the Commonwealth countries affected. This would obviously be of some help in getting acceptance of the whole scheme in commercial circles in Canada. It would not of course get over the opposition of industries mainly interested in European markets other than that of the United Kingdom, since those European countries might not be as ready to negotiate on particular items.

4. Throughout the discussion this afternoon Mr. Thorneycroft placed a good deal of emphasis on the timing of the United Kingdom's participation in the proposed arrangement. If the United Kingdom delayed and endeavoured to come in only at a later stage, it would no doubt have to make concessions to the Europeans which might involve injury to Canada and other outside countries. Moreover, the United Kingdom would not then have an opportunity to influence the general character of the arrangement. From all points of view it seemed desirable that if the United Kingdom was going to join the Free Trade Area it should take an active part from the beginning.

5. I would judge that generally the talk with Mr. Thorneycroft had a good effect on Mr. Howe and on the officials present (i.e. Messrs. Bull, Sharp, Isbister, Taylor and Bryce). The further consideration of the United Kingdom proposal in Ottawa is likely to be assisted considerably by this afternoon's discussion. A further talk on the details of the proposed arrangement is expected to take place to-morrow morning among the United Kingdom and Canadian officials concerned with trade and financial questions.

A.E. RITCHIE

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350. DEA/12447-40

Note du chef de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division,
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], September 27, 1956

EUROPEAN CUSTOMS UNION/FREE-TRADE AREA — MR. THORNEYCROFT'S INTERVIEW WITH THE PRIME MINISTER

According to Mr. Bryce the Prime Minister will arrive only a few minutes before he sees Mr. Thorneycroft shortly after twelve o'clock this morning. There will, therefore, be little time for Mr. St. Laurent to read any papers before the interview. Mr. Bryce has undertaken, however, to give the Prime Minister orally an outline of the Chancellor's message, Mr. Harris's proposed statement, Mr. Pearson's suggested amendments, and an indication of the relevant political and economic arguments. His expectation is that at this stage the Prime Minister will wish to be fairly non-committal.

2. From a conversation with Mr. Sharp last evening I understand that Mr. Howe and Mr. Harris have talked on the phone about the last paragraph of the latter's proposed statement and that Mr. Harris has indicated his intention to stick to his original "neutral" text rather than use the more favourable language which we had suggested and which Mr. Pearson had approved. Mr. Howe did not apparently press Mr. Harris to be more forthcoming. If Mr. Pearson feels that more should be said he may wish to call Mr. Harris in Washington before Friday. Mr. Pearson might wish to urge Mr. Harris to welcome more warmly this politically significant move of the United Kingdom in the direction of Europe, while at the same time reserving our freedom to discuss particular features with them and the other participants as the preparations proceed for this or some other kind of arrangement between the United Kingdom and Europe. It should be possible to pay a tribute to the United Kingdom and show an appreciation of the political value which this development *can* have, without appearing to bless this particular scheme in detail and without weakening significantly our bargaining position for any negotiations which may be required.

3. If Mr. Pearson decides to follow this up with Mr. Harris he may also wish to discuss the position with Mr. St. Laurent and Mr. Howe beforehand. The matter may, of course, come up in Cabinet this afternoon.

4. An alternative to pressing Mr. Harris on this matter now would be to let the present non-committal or slightly negative statement be made in the private meeting in Washington and work towards an early public statement of a more sympathetic or favourable character. The risk in this alternative is, of course, that the United Kingdom may receive such negative reactions from the United States, and from some of the Commonwealth representatives at Friday meeting, that they may lose heart if we do not speak up appreciatively — or they may lose some of their interest in our views.

A.E. RITCHIE

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351. DEA/12447-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], September 27, 1956

PROPOSED STATEMENT BY MR. HARRIS AT THE MEETING OF COMMONWEALTH FINANCE MINISTERS CONCERNING THE EUROPEAN FREE-TRADE AREA — CUSTOMS UNION

Mr. Harris is apparently not inclined to alter the last paragraph in his draft statement. He considers that it would be desirable to end on a rather non-committal and pedestrian note. I attach a copy of Mr. Harris's original draft for reference purposes.

2. You will recall that we had suggested a more positive and favourable concluding paragraph; a copy of our draft is also attached.

3. You may wish to speak with Mr. Harris in Washington on this matter or you may think it desirable to raise the question in Cabinet this afternoon. In this connection we understand that Mr. Howe is in general agreement with the approach adopted by Mr. Harris.

4. In case it does not prove possible to get acceptance of something along the lines of our earlier draft of the final paragraph you may think it would be sufficient for present purposes to secure the agreement of your colleagues to a compromise draft which officials produced this morning, a copy of which is attached. This compromise retains the bulk of Mr. Harris's text but brings in a sentence in the middle which recognizes the boldness of the tentative United Kingdom proposal and the importance of its political and economic objectives.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note

(NEW PARAGRAPH 8 — SEPT. 27/56)

Possible Compromise Text

8. I must emphasize again the preliminary nature of the comments and questions I have touched on. We shall give your proposal earnest study. In the meantime, I can assure you that the political and economic objectives of this extremely important, and indeed bold, proposal are fully appreciated by my Government. I am sure that all of us welcome this chance for informal and exploratory discussion. We shall be reporting back to our own Governments the views expressed here and I have no doubt we shall have further and more fully considered views to exchange in the future.

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352. DEA/50377-40

Note du chef de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division,
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], September 27, 1956

MR. HARRIS'S PROPOSED STATEMENT ON THE FREE-TRADE AREA — CUSTOMS UNION

I was told at lunch time that Mr. Howe had been shown a copy of the compromise draft of the last paragraph and that he had indicated his somewhat reluctant agreement with it. This information has been passed on to Mr. McGill in the Minister's Office in order that the Minister might be aware of Mr. Howe's attitude before any discussion in Cabinet. It would presumably still be desirable for the Minister to speak with Mr. Harris if the latter is to be persuaded to accept a somewhat more positive ending to his statement than that which it contains at present.

Mr. Bryce also mentioned at noon time that he had found Mr. St. Laurent quite sympathetic with the United Kingdom proposal. Mr. Bryce had the impression that the Prime Minister's present views are probably rather closer to those of this Department than to those of Finance and Trade and Commerce. Mr. St. Laurent was nevertheless quite restrained in commenting to Mr. Thorneycroft as he felt that definite Canadian Government views might better be expressed at a later date.

A.E. RITCHIE

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353. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], September 27, 1956

Present:

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin).

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EUROPEAN FREE TRADE AREA; POSSIBLE UNITED KINGDOM MEMBERSHIP

16. *The Minister of Trade and Commerce* reported that the President of the Board of Trade of the United Kingdom had visited Ottawa to explain his government's views on the establishment of a free trade area in Europe embracing, as its nucleus, a customs union now being proposed by the Benelux group, France, Germany, and Italy, to which the United Kingdom and other countries might adhere. The U.K. would propose that agriculture products should be excluded from the free trade arrangement. He wished to obtain the Canadian government's views on the suggestion of the U.K. joining the new association should a practical plan emerge. The U.K. would welcome Canadian support for its proposal but Mr. Howe thought it would be a mistake to make a stand in support of this at this time because the plan was so complicated that nothing might come of it. Furthermore, the implications for Canada were as yet not at all clear.

17. *The Secretary of State for External Affairs* said a U.K. decision to join the free trade area was a most important one from the European standpoint. The practical difficulties were very great but, if the U.K. became a member, the political problems of the European countries concerned would be made appreciably simpler. Even so, the French economic situation, for example, would present an almost insurmountable barrier to working out an acceptable arrangement. Frankly, he doubted if the plan would be successful. Nevertheless, as sympathetic a reaction as possible to the U.K. sounding, both from Canada and other Commonwealth nations, was desirable. If this were not forthcoming and the project collapsed, it would be tempting for the U.K. to lay the cause for failure on the Commonwealth's doorstep.

18. *During the discussion* the following points emerged:

(a) The establishment of a European free trade area could mean the loss of markets for some Canadian products and lessen the possibility of gaining or regaining U.K. markets for other goods in the future. For the government to give its support to a plan which might lead to such a result, and point up Canada's dependence on other markets, would be embarrassing. On the other hand, it could also be said that successful free trade arrangements would make a much stronger and more prosperous Europe in which there would open up great possibilities for Canadian trade.

(b) It would be unwise to indicate outright support for the plan at this stage. However, the U.K. was about to canvass Commonwealth views at a meeting of finance ministers in Washington and the Canadian attitude should not be entirely negative. Perhaps it could be said that the concept was a bold one and that anything which increased the prosperity and strength of Europe was all to the good. However, the implications of the proposals were far reaching and had to be studied carefully.

(c) A major source of difficulty would be re-arrangements in the Commonwealth preferences which would have to be made on the U.K. joining the plan. The President of the Board of Trade had said the U.K. would not grant preferences to European countries against Canada. However, it was not clear at present what the outcome would be.

19. *The Cabinet* noted the reports of the Minister of Trade and Commerce and the Secretary of State for External Affairs on the proposal of the United Kingdom to join in the creation of a European free trade area, and agreed that the Canadian reaction at this stage should be cautious, that the United Kingdom be informed at the Washington meeting that the economic and political purposes of this important step in trade policy were appreciated by Canada, but there were many implications of the proposal which would have to be studied carefully.

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354. DEA/12447-40

Le sous-ministre adjoint des Finances
au chef de la Direction économique

Assistant Deputy Minister of Finance
to Head, Economic Division

Ottawa, October 1, 1956

Dear Ed [Ritchie]:

I attach a copy of the statement[24] prepared for use by Mr. Harris at the meeting of the Commonwealth Finance Ministers in Washington two days ago.

As I explained to you a few minutes ago over the telephone, this text contains a number of changes that were introduced on Friday evening (after I had spoken to you over the telephone) when Mr. Harris went through the earlier draft in detail. Further, as I mentioned to you, Mr. Harris did not read paragraphs 1 and 2 but instead spoke extemporaneously in relation to the subjects which they cover.

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[24] Note marginale :/Marginal note:
dated Sept. 29th [A.F.W. Plumptre]

We shall be receiving the Minutes of the meeting† from Washington very shortly, probably tomorrow.

At the meeting on Saturday the United Kingdom circulated a new piece of paper† and invited questions. I enclose the copy which I had in the meeting. You will see from the Minutes that we raised quite a number of points in relation to it.

Finally I enclose for your information, in case you want to go over the ground on a blow-by-blow basis, a copy of our draft statement[25] as it existed when you and I were talking together on the telephone, i.e. after we had had a long talk with Claude Isbister but before Mr. Harris himself had gone over the paper in detail.

Yours sincerely,
A.F.W. PLUMPTRE

[PIÈCE JOINTE/ENCLOSURE]

Projet de déclaration

Draft Statement

SECRET [Ottawa], September 29, 1956

EUROPEAN INTEGRATION
STATEMENT FOR MEETING OF COMMONWEALTH FINANCE MINISTERS IN WASHINGTON

It was only last week that I received the paper on European Integration which you sent us in advance of this meeting. It raises economic and political issues of the highest importance, and there has been no time to give it concerted Cabinet consideration or even to reach a balanced individual judgment regarding it. Hence what I have to say today must be regarded as preliminary as well as personal.

2. In Canada we have watched with deep interest the emergence, particularly since the last War, of a spirit of European solidarity and community. It was division in Europe, especially division between Germany and the rest, that drew Canada successively into two world wars. Any plans which are intended to heal old wounds, and to make the body of Europe whole and strong within the multilateral system of international trade to which we are all committed, must naturally call forth a warm and sympathetic response in my country.

3. Both the Prime Minister and also my colleagues Mr. Howe and Mr. Pearson have from time to time made statements relating to various aspects of European economic integration. The powerful motives inspiring the idea are appreciated. Further, you have said that integration should be achieved by the removal of internal barriers not by an increase in external barriers. At the same time you will expect me to point out that, while any new form of preferential treatment can bring the "insiders" closer together, it can scarcely fail to carry with it some increased sense of severance and separation between the "insiders" and the "outsiders".

4. As for Canada, we shall, of course, be studying what may happen to our trade with the United Kingdom including the implications for the British Preferential System. We shall

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[25] Note marginale :/Marginal note:
dated Sept. 28th [A.F.W. Plumptre]

be considering our exports to the United Kingdom and Europe both of raw materials and of manufactured goods; nor shall we be able to exclude possible developments in the field of agriculture.

5. As you may know, there are many in Canada who take a serious view, often a highly exaggerated view, of our alleged economic dependence on the United States. It would be necessary for us, therefore, to give a great deal of thought to proposals for a new and large-scale European preferential system which might add to this concern.

6. The United States will I suppose express its own views at an opportune time. It is true that certain voices in the United States, some of them in the highest places, have given praise and encouragement to plans for European economic integration. However, if the main industrialized countries of Europe pursue a collective policy of tariff preferences in favour of each other (and to that extent against the United States) is there any danger that the growth of a sense of isolation in that country might be promoted?

7. The statement you sent us referred to our "collective approach to freer trade and payments" and I was glad to note your opinion that the proposals you are now putting before us are consistent with, and of assistance to, the objects of that approach. Nevertheless I still wonder whether the restrictions against dollar imports might, in some European countries at least, be dismantled less rapidly than otherwise. Europe's new economic strength would not develop overnight. Meanwhile, the discomforts of achieving a free trade area might make some European governments doubly reluctant to expose themselves to the discomforts of trans-Atlantic competition as well.

8. I must emphasize again the preliminary nature of the comments and questions I have touched on. We shall give your proposal earnest study. In the meantime, I can assure you that the political and economic objectives of this extremely important, and indeed bold, proposal are fully recognized by my Government. We welcome this chance for informal and exploratory discussion.

355. PCO/T-50-1-M

Procès-verbal de la réunion du Comité interministériel sur la politique du commerce extérieur, le 4 octobre 1956

Minutes of Meeting of Interdepartmental Committee on External Trade Policy, October 4, 1956

ICETP DOCUMENT NO. 141 Ottawa, October 17, 1956

SECRET

Present

Mr. R.B. Bryce, Secretary to the Cabinet (Chairman)
Mr. K.W. Taylor, Deputy Minister of Finance
Mr. J. Léger, Under-Secretary of State for External Affairs
Mr. M.W. Sharp, Associate Deputy Minister of Trade and Commerce
Mr. L. Rasminsky, Deputy Governor of the Bank of Canada
Mr. R.C. Labarge, Department of National Revenue
Dr. A.E. Richards, Department of Agriculture.
Mr. W.R. Martin, Assistant Secretary to the Cabinet (Secretary)
Mr. A. Laframboise, Privy Council Office (Assistant Secretary)

Also Present

Mr. A.F.W. Plumptre, Assistant Deputy Minister of Finance
Mr. A.B. Hockin, Department of Finance
Mr. C.A. Annis, Department of Finance
Mr. C.M. Isbister, Department of Trade and Commerce
Mr. M. Schwarzmann, Department of Trade and Commerce
Mr. A.E. Ritchie, Department of External Affairs
Mr. J.F. Grandy, Department of External Affairs
Mr. M. Lamontagne, Privy Council Office.

1. *Mr. Plumptre* gave a report of the meeting of Commonwealth Finance Ministers held in Washington on Saturday, September 29th, 1956. He said that the Right Honourable Peter Thorneycroft, Chairman of the U.K. Board of Trade, had started the meeting by giving somewhat the same exposé which he had given in Ottawa. The Commonwealth finance ministers had expressed their views about the proposed plan. The New Zealand finance minister had said that he had been informed of the proposals only recently. Personally he was favourably disposed towards it, particularly since agricultural products would be excluded. He had asked that the details be given with more precision. In general it could be said that the New Zealand attitude was typical of the normal support it gave the United Kingdom.

The Australian representatives had seemed to be slightly more reserved in their approval of the U.K. proposals. On the whole however, the tone of the Australian comments could be judged to be sympathetic to the plan.

The Indian representatives had begun with fairly general remarks which seemed to favour the proposals. They had raised a few specific questions which were of particular interest to India. Investment problems had been stressed at previous meetings and this might have prompted the Indians to enquire whether European investments would not be diverted away from India as a result of the creation of a Free Trade Area. In reply to the Indian representatives' question Mr. Thorneycroft had said that the programme was intended to strengthen the European economy and thus increase the aggregate funds available for investment abroad. The Indians had asked whether U.K. dependent territories, in which they had important markets, would be included in the plan for a free trade area. Mr. Thorneycroft had answered that these territories were being canvassed for their opinions but he expected they would want to opt out.

2. *Mr. Taylor* said that Sir Edgar Cohen, a member of the U.K.'s delegation, had left him with a different impression. Sir Edgar had remarked that France would probably want to include its dependent territories in the proposed Customs Union. If this happened Belgium would want the Belgian Congo included and the U.K. might be driven to follow the same course in respect of its dependent territories. It would be an awkward problem in any event.

3. *Mr. Plumptre* said that the Indians made it clear that they did not want the system of Commonwealth preferences impaired. They said that if the Ottawa system was modified, the whole question of preferences would have to be reviewed.

4. *Mr. Isbister* said the Indians wanted it understood that they were at least as free as the British. They were very much concerned about existing preferences in U.K. dependent territories. They considered the U.K. market a dwindling asset or at least one in which they could not expand their exports. They were, therefore, very much concerned about the markets in the dependent territories. He had the feeling that this concern had not been removed by U.K. assurances.

5. *Mr. Plumptre* went on to say that the Pakistan representative had expressed sympathy for the plan in general. He also raised the problem of regional development. The Ceylon representative had spoken briefly and said that, judging by the statements he had heard, he thought Ceylon's commercial interests seemed to be protected. The Ceylon representative noted what the Indians had said and added that he would want to study the proposals in detail. Rhodesia and Nyasaland expressed general interest in the proposals and said that they would want to make a commodity by commodity study of the proposals.

6. *Mr. Plumptre* said that Mr. Harris had spoken much along the lines of his prepared text. However, he had spoken extemporaneously at first and the minutes were not an accurate reflection of what he had said. Mr. Harris had spoken of the desirability of any programme which would heal the wounds of Europe, but he had not said, as was reported in the minutes, that the proposals would heal these wounds. Moreover, the minutes made no reference to his statement about "insiders and outsiders".

7. *Mr. Plumptre* added that, at the morning meeting, the U.K. had circulated a paper which, in his opinion, seemed to have been put together hurriedly. It prompted a few questions by the Canadian delegates. Paragraph 5 of the paper made mention of quotas in the Free Trade Area. Canadian delegates had thought that discussions of the FTA proposals would be confined to tariff questions and were surprised to find quotas mentioned in the paper. The U.K. representatives said that the U.K. did not want a free trade area to go into effect while a residual quota system was being maintained. The U.K. had proposed that the removal of quotas within Europe would be completed in about a decade.

8. *Mr. Rasminsky* added that, according to U.K. statements, any proposals to remove quotas would not subtract from but add to the obligations of the European members in GATT. The implications of the U.K. proposals on this matter were that balance of payment quotas under GATT waivers would be progressively reduced and that this process would be non-discriminatory.

9. *Mr. Plumptre* said that the final paragraph of the circulated paper referred to a European administrative organization for the FTA. This proposal had not been foreseen by Canada and it led the Canadian delegates to wonder if it would not undermine GATT.

10. *Mr. Rasminsky* said that Mr. Thorneycroft had explained this proposal by saying that the U.K. did not want to have anything to do with a supranational authority. Every party to the agreement would act independently but a general supervisory body would be created with no executive functions.

11. *Mr. Hockin* said that, in his discussions with the U.K. delegates, he had been assured that OEEC would continue to function but it had not been resolved how far the proposed FTA administrative organization would expand. In any event, the U.K. wanted to be free to manage sterling.

12. *Mr. Plumptre*, in answer to Mr. Bryce's question, said that he had a feeling that the U.K. delegates left the Washington meeting with the belief that most of the Commonwealth countries would approve the proposals. He pointed out that the question of timing was left unresolved. But the U.K. government, he thought, must reach a decision by mid-October since OEEC was planning to publish, in December, a working group's report dealing with the relationship between the proposed Customs Union and member countries not taking part therein. This suggested timing for the U.K. would necessitate Canada formulating its views in a general way within 10 days or so.

13. *Mr. Rasminsky* said that within the near future the U.K. was planning to raise officially with the U.S. the question of FTA.

Mr. Rasminsky emphasized the importance of the questions raised by India. The exclusion of agricultural commodities from FTA would safeguard some Indian interest but would leave unresolved problems relating to such commodities as cotton, jute, etc. These problems would likely lead India to request a review of the whole question of preferences.

14. *Mr. Ritchie* felt that India's position was some distance short of outright objection to the plan even though she would want the details carefully examined.

15. *Mr. Isbister* believed that one's appraisal of the success or failure of the U.K. ministers at this meeting would depend upon one's assumption regarding their initial objectives. If it is assumed that they hoped to obtain explicit approval from the Commonwealth, then they failed. If, on the other hand, they hoped mainly to neutralize the other Commonwealth countries so as to avoid public criticism of the proposals, then they succeeded. From conversations with U.K. representatives in Ottawa, it would appear that the U.K. objectives were along the second of the above courses.

16. *Mr. Rasminsky* agreed. He believed U.K. ministers would feel that the problems raised could be worked out reasonably well.

17. *Mr. Taylor* said he understood Canadian ministers were worried about the U.K. proposal on two grounds. On the one hand, many in Canada might feel that future export opportunities in some fields were being curtailed. On the other, if the government appeared to be too encouraging in its response many would feel that Canada cared little if the U.K. "left" the Commonwealth.

18. *Mr. Rasminsky* thought the points raised by Canada concerning "insiders" and "outsiders" and the dangers of failure should be of concern to the United Kingdom.

19. *Mr. Isbister* recalled that Mr. Thorneycroft had expressed the hope that the Ottawa Agreements would continue. Implicitly however it was recognized that there would have to be a rearrangement of preferences.

20. *Mr. Rasminsky* said that the meeting had left him with two general impressions. He thought that the British ministers had decided to go ahead with the FTA. It would be helpful to the U.K. to get the support of the Commonwealth but their decision to go ahead would not be affected by vague objections. Although a case was made out by the British

that the FTA was based on economic reasons, he thought that fundamentally this was a political move which was urged by the position of the U.K. in the world today. The FTA was one aspect of an effort to create a Third Force.

21. *Mr. Taylor* said that his impression was that the FTA proposals were based on both political and economic reasons. It was in part a move to contain Germany. He was not sure whether the FTA was intended to scuttle Messina or whether the British regarded the Messina plan inevitable and felt they could not afford to stay out.

22. *Mr. Plumptre* suggested that this might be an effort by the U.K. to control Messina.

23. *Mr. Bryce* said that his impression was that the U.K. did not dare to be left out of what was happening in continental Europe.

24. *Mr. Ritchie* said that there was some doubt that Messina could be a success without U.K. participation. He thought that the British could not very well think that the success of Messina was inevitable.

25. *Mr. Rasminsky* said the U.K. were faced with the following dilemma. If Messina became a success without U.K. participation, the British would be the losers. If the Messina initiative failed there would be unfavourable political results and the breakdown would lead to a "Balkanization of Europe".

26. *Mr. Isbister* said that the British realized that by supporting Messina they strengthened it immeasurably and could exercise more control over it.

27. *Mr. Bryce* expressed the view of the meeting by saying that the British intended to go ahead with FTA unless strong disapproval was voiced. He asked the meeting whether it thought the FTA plan, as outlined by the U.K., would succeed.

28. *Mr. Léger* wondered what would happen if the British did not participate in the Free Trade Area. What were the alternatives over the next 10 years?

29. *Mr. Taylor* said that it was his view that if the British did not proceed, the Messina plan would never succeed or something much worse might materialize.

30. *Mr. Plumptre* said he had many doubts that the FTA as proposed by the British would succeed. Success for the U.K. would depend largely on whether she could compete with the Continent and with Germany in particular. The British would need a great measure of self-control and it was difficult to feel at all sure that they would be able to maintain continuity of policy in this connection over the next five or ten years. The issue was whether it was advisable for Canada to appraise openly the U.K.'s capability to meet the challenge inherent in the FTA plan.

31. *Mr. Rasminsky* thought it would be inadvisable to oppose the plan publicly. If Canadian opposition were expressed we would be assuming political responsibility with regard to an important European matter and we should not put ourselves in that position. As regards the plan itself his skepticism about it related to an appreciation of the likelihood of the European nations ever, in fact, reaching the goal they hoped to attain. If all tariff barriers were abolished and the necessary adjustments made at once, and Europe were thus much stronger, Canada's interests would be served. But the adjustments would be very painful. Could the European nations concerned accumulate the necessary savings? Could they maintain exports? Could they implement strict internal policies? If any one country got into difficulties wouldn't the weak tend to weaken the strong in the group? All these questions made him doubt if the plan could be made workable, and if the objective were only partially attained the situation might be worse than before.

32. *Mr. Lamontagne* said it was difficult for Canada to remain neutral. He wondered what alternative Canada could suggest.

33. *Mr. Sharp* said that the alternative was for European countries to reduce their trade barriers against the rest of the world. This would strengthen Europe more than the plan under consideration. It assumed, however, that the U.S. would give leadership and support to a multilateral trading world. But Europe did not have the confidence to take these bold steps.

34. *Mr. Isbister* said he realized that complete attainment of the goals of FTA could strengthen Europe. He wondered whether the realization of part of these goals would increase Europe's strength proportionately. He thought it was important in appraising the FTA proposals to consider the effects of the realization of only a fraction of its goals. The adoption of the FTA proposals would mean that the economies of Europe would be diverted into particular channels for a period of some ten years.

35. *Mr. Hockin* recalled that Sir Edgar Cohen had said that if the FTA bogged down half way, the situation would be intolerable and the U.K. would have to return to its previous position, if that were possible.

36. *Mr. Rasminsky* said that it was his guess that the U.S. would welcome the FTA. Some U.S. officials might consider this a way of making Europe more self-reliant and of "getting out" of Europe. In any event, the implications of the U.S. attitude were important and might not be happy ones for Canada.

37. *Mr. Ritchie* said that U.S. approval of the FTA would not necessarily result in its abandonment of Europe. The outcome of the U.S. approval of the FTA would depend largely on what relations FTA maintained with such organizations as GATT.

38. *Mr. Sharp* asked whether a free trade area in Europe would lead to the creation of other regional groups in South America, Asia or in the Arab world, for example.

39. *Mr. Plumptre* said that there was a serious possibility of these regional groups being formed. South American countries had always shown interest in regional commissions proposed in the United Nations. The formation of new regional groups could also lead to more active Russian interference.

40. *Mr. Rasminsky* said that if the U.K. went ahead with its plans for the FTA, Canada might have to review its principles of international trade. Canada should point out to the U.K. what repercussions the FTA would have on all its trade.

41. *Mr. Taylor* said that Canada should give serious study to the possibility of joining the FTA to offset the danger of being completely driven into the U.S. orbit.

42. *Mr. Ritchie* wondered whether it would be possible to resolve, item by item, problems arising out of the adoption of the FTA. Perhaps the U.K. should be told that Canada would expect to be consulted on any changes which would affect Canada.

43. *Mr. Isbister* said that, taking the U.K. proposals at their face value, the Department of Trade and Commerce was preparing for circulation a set of memoranda setting out the economic effects of the FTA for Canada in its trade relations with countries of the FTA. From the point of view of total trade and having in mind that agricultural products were excluded the loss of U.K. preferences would cause negligible damage to Canada. However, in the field of highly manufactured products, some damage to exports would result and there was no promise by the U.K. to alleviate this damage. Nevertheless, Mr. Thorneycroft had given assurances that the U.K. was prepared to consider particular cases where adverse preferences might be introduced.

44. *Mr. Sharp* said that Canada should keep in mind the impact of these proposals on our interests outside of Europe and the U.S. The creation of new preferences could damage our immediate trading prospects in countries like Japan.

45. *Mr. Léger* stressed the fact that political pressures would impose a timetable on Canada's official pronouncement about the FTA. Canada should decide on its policy as soon as possible and be prepared to send specialists to discuss the details of the proposals.

46. *Mr. Isbister* agreed that there was some urgency for Canada to formulate its policy. Canada's bargaining power was better now than it would be later on. If a decision was taken early, possibly before January 1st, the maximum benefit could be derived from it.

47. *Mr. Léger* said that in view of the importance of the issue it was desirable to adopt a common policy as soon as possible. The danger of an indiscreet statement being made should not be overlooked.

48. *Mr. Bryce* said that it was clear that a decision would be needed soon. He saw no fundamental disagreement between the committee members as to what statement the Government should make. It would not be possible to prepare a holding statement until Cabinet could consider the position which it would want to take publicly. The government's statement should not, at this stage, say that Canada seeks a special position in the FTA. The government should say that Canada will consider its position vis-à-vis all participants of the FTA and all other countries concerned.

49. *The Committee agreed* that a statement be prepared concerning the suggestion that the U.K. join a free trade area embracing most of Western Europe for consideration at a meeting of the committee the following week.

W.R. MARTIN
Secretary
A. LAFRAMBOISE
Assistant Secretary

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356. PCO

Projet de déclaration

Draft Statement

CONFIDENTIAL

DRAFT FOR A STATEMENT TO BE ISSUED AFTER SHOWING IT TO THE U.K. AUTHORITIES
(AS REVISED BY EXTERNAL TRADE COMMITTEE, OCTOBER 9TH)

The Right Honourable Louis S. St-Laurent, Prime Minister, today issued the following statement on behalf of the government in response to questions that have recently been addressed to Ministers concerning the suggestion that the United Kingdom would join a free trade area embracing most of Western Europe:

The Canadian Government has been informed by the Chancellor of the Exchequer and the President of the Board of Trade of the proposal under consideration by the Government of the United Kingdom which would involve the United Kingdom entering a Free Trade Area in Western Europe along with France, Belgium, the Netherlands, Luxembourg, Germany and Italy (who are considering the establishment of a Customs Union among the six of them), and possibly other countries of Western Europe. The entry by the United Kingdom into such a free trade arrangement with European countries would involve the removal by defined stages of its customs duties on the products of such countries in return for reciprocal action on their part toward United Kingdom products. The United Kingdom proposes that this Free Trade arrangement would not apply to foodstuffs, feeds, beverages or tobacco.

The Canadian Government appreciates the opportunity given it for advance consultation on this bold and important proposal. Should such a plan be adopted and successfully carried through by Britain and nations of Western Europe it should increase the economic strength and prosperity of the peoples of that whole great area and also their sense of solidarity and common purpose even beyond the economic field. Such results would benefit Canadians as well as others outside Europe.

The effects of such a programme upon Canadian trade and the special trade arrangements within the Commonwealth will require detailed study by the government. The radical change in British and European trade relations which the proposal involves would present a number of problems for Canadian trade with the countries concerned and require some re-negotiation of our trade agreements. If the proposal is carried through with determination, and at the same time the countries concerned proceed forthrightly with the removal of other trade barriers between themselves, and also against other countries as they are already pledged to do, it should be possible to surmount the difficulties which this plan will create and to increase the flow of trade, and maintain the ties, between this large European area and the rest of the world. On the other hand, a partial development that resulted only in the creation of a new system of inter-European tariff preferences would interfere with trade between Europe and other countries, including Canada, without achieving the constructive results which are expected from a full implementing of the plan. Similarly, it would be a matter of concern to us if the pursuit of this European objective, worthy as it is, were to result in less effort or willingness to reduce the other barriers to the development of competitive multilateral trade, which is the over-riding objective of the Canadian Government and of the General Agreement on Tariffs and Trade.

The Canadian Government will study carefully the details of this proposal as it develops, and its potential effects upon our trade relations with the countries involved, in order to be ready to negotiate such revised arrangements with the countries concerned as may be appropriate.

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357. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], October 11, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Veterans Affairs, Postmaster General and
  Acting Minister of National Revenue (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Survey (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Registrar of the Cabinet (Mr. Halliday),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

FREE TRADE AREA IN EUROPE; U.K. PROPOSALS; CANADIAN VIEWS

10. *The Prime Minister* submitted a draft announcement to be issued on behalf of the Canadian government concerning the suggestion that the United Kingdom would join a free trade area embracing most of Western Europe. It stated that the proposal would present a number of problems for Canadian trade with the countries concerned but that those difficulties could be surmounted if the plan were carried through with determination and if at the same time western Europe proceeded to remove other trade barriers. On the other hand, a partial development would interfere with trade between Europe and other countries, including Canada. The statement added that the government would study carefully the details of the proposal, as it developed, and its potential effects upon Canadian trade relations in order to be ready to negotiate such revised arrangements with the countries concerned as might be appropriate.

11. *During the discussion* a number of changes were suggested in the draft statement.

12. *The Cabinet* noted the report of the Prime Minister on a statement concerning the Canadian views on U.K. proposals for joining a free trade area in Europe, and agreed that a statement along the lines suggested and as amended in the course of discussion be issued after consultation with the Secretary of State for External Affairs.

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358. DEA/12477-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 1391 London, October 11, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your EE-31 October 9.†

CANADIAN REACTION TO PROPOSED UK PARTICIPATION IN A EUROPEAN FREE TRADE AREA

I believe UK ministers are hoping to receive preliminary comments of other Commonwealth governments which they could take into account before they definitely commit themselves to the proposed policy. The draft in your telegram might, therefore, be looked at first as a possible message to the UK government and then, after the UK government have publicly announced what they hope to accomplish, as a basis for a public statement of the Canadian attitude toward these developments.

2. I am concerned about the possible effects of our referring, either in our message to the UK government or in a subsequent statement to the press, to the possibility that we may have to take another look at our existing trade agreements with a view to their renegotiation. I take it that the reference is primarily aimed at UK preferences in the Canadian market. Our right to modify these preferences and the parallel British right to modify preferences accorded to us have been established since 1947 and are fully recognized here. At the same time we are, in fact, in a better position than the British to avail ourselves of the freedom secured under the 1947 exchange. This is because the UK, though now free to vary or remove preferences which once were bound in favour of Canada, are still bound by

treaty commitments with other Commonwealth countries to preserve many margins of preference against foreign goods. In these circumstances, in which our freedom of action is real and theirs is severely limited by the fact that they would not wish to discriminate in their tariff treatment of imports from Commonwealth countries, it seems to me that we might be creating considerable difficulties for the government here if we were to put them on public notice that their entry into a free trade area was likely to entail the loss of some of their trading advantages in the Canadian market.

3. If you think that this point has to be made, it might suffice to amend the second sentence of the third paragraph to read:

"The changes in British and European trading relations which the realization of these proposals is likely to bring about would undoubtedly present problems for Canadian trade with the countries concerned and might require adjustments in our trading relations with these countries so as to enable Canada to benefit from the new trading opportunities that an expanding European market should offer".

Even without this amendment the final paragraph of the statement seems to me to be redundant.

4. Both in order to clarify the UK's position and to amplify the considerations on which it is based, I would suggest deleting the last sentence of the first paragraph of the statement and substituting the following:

"The UK have made it clear that they could not contemplate entering into a free trade area arrangement of this kind unless food, including manufactured foods, feeding stuffs, beverages and tobacco were excluded from its scope. One of the effects of excluding this range of commodities would be to protect the bulk of the preferences that are at present accorded to Commonwealth trade in the UK market".

5. I also think that it might be useful to alter the language of the final sentence in the third paragraph of the statement to read as follows:

"Similarly, it would be a matter of concern to us if the implementation of these European proposals to free the flow of trade and rationalize economic resources over a limited geographical area were to delay progress in the removal of other barriers to the development of competitive multilateral trade, which is the overriding objective of the Canadian government and of the general agreement on tariffs and trade".

This wording would have the advantage of spelling out the professed aims of the free trade area scheme and, at the same time, restating against this background the broader objectives of multilateralism which remain a cardinal element of Canadian policy.[26]

[N.A.] ROBERTSON

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[26] Saint-Laurent a vu et paraphé ce télégramme.
St. Laurent saw and initialled this telegram.

359. DEA/12447-40

L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures

Ambassador in Belgium
to Secretary of State for External Affairs

TELEGRAM 192 Brussels, October 12, 1956

SECRET. IMMEDIATE.

Reference: Your telegram E-31 October 9 to London repeated to Brussels for information.
Repeat Paris, NATO Paris, Bonn, London (Information).

CANADIAN REACTION TO PROPOSED UK PARTICIPATION IN EUROPEAN FREE TRADE AREA

Following to Léger from Hébert.

I have just now had an opportunity to read the text of the proposed statement for Mr. St. Laurent as drafted by the Interdepartmental Committee on External Trade Policy since your telegram did not reach this mission until today. While I appreciate that this message was sent to me only for my information, I felt that it might be helpful if the statement has not already been made to give you my impressions of how it may be viewed in Brussels.

2. Because of the tremendous interest everywhere in the common market proposals and their possible relationship with the UK and the Commonwealth, I assume that the Prime Minister's statement is being considered both in the terms of its effect in Canada and in other interested countries. Coming as it does, however, as the first public statement by the Prime Minister on European integration, it is bound to be given particular attention in the capitals of the Messina powers.

3. From the latter point of view I cannot help but feel that the statement will be viewed in Brussels as going beyond an understandable caution at this stage towards possible UK association with a free trade area, and because of the wording will almost certainly be construed as defining our position towards the whole concept of European economic integration. If the latter is the intention, the statement will be regarded here as pretty negative. Our recognition of the substantial benefits which may arise from an effective strengthening of the economy of Western Europe is limited to a rather vague and general reference in paragraph 3 of the draft statement. The statement does not appear to reflect an awareness of the events which have taken place over the past few weeks which suggest at least from this capital that the six are now making a more genuine attempt than ever before to find agreement on the Common Market and on Euratom. While it is still too early to be certain that this impetus can be maintained in the face of serious problems still to be resolved, it is generally agreed that the Paris meeting (now tentatively scheduled for October 20) will be a crucial one. An overly-guarded Canadian statement appearing probably quite unintentionally on the eve or during this conference would certainly not be without effect in the deliberations of the Six at St. Cloud.

4. The draft statement lays great emphasis on the economic consequences for Canada but touches only incidentally on the broader political issues at stake. I am aware of the need for caution on this score, but I wonder if Mr. Spaak will find it possible to reconcile the tone of the statement with some parts of the personal letter which our Minister sent to him on

January 9. In that letter Mr. Pearson stated "I have the impression we may not have given sufficient weight from the broad political point of view to the reasons which are prompting the Messina countries to attempt further economic integration ... I do not want to take a narrow view of such undertakings as the establishment of a European atomic agency or of a common market for a large part of Western Europe". The statement as now drafted might also suggest to Mr. Spaak that the Canadian Government was not repeat not taking account of the assurances in his reply to Mr. Pearson of January 27 when he said — "Among the advocates of this integration there is no repeat no one who thinks that this new community, if it is to be organized, should be protectionist and self-sufficient". Similarly it does not repeat not appear to us to record the spirit of the Minister's speech to the English-Speaking Union urging a more enlightened attitude by the UK towards European integration.

5. In summary, while the statement is concerned with Canadian reaction to UK proposals, it is bound to be viewed here as an indication of Canadian policy towards European integration proposals generally. Its timing in terms of the Paris conference adds to the significance of its reception in the Messina capitals. Finally, the absence of any recognition of recent political developments, which are considered at least from here as significant for the future of Western Europe, may be considered by Mr. Spaak as somewhat inconsistent with the Minister's desire to give full weight to the political aspects of the Messina endeavours.

6. When the final text of Mr. St. Laurent's statement is approved, it would be most helpful if I could be authorized [to give] it to Spaak or the Belgian Foreign Office at the same time as it is being given to the UK Foreign Office.

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360. DEA/50377-40

Note du chef de la Direction européenne pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division, to Under-Secretary of State for External Affairs

SECRET [Ottawa], October 15, 1956

Reference: Brussels' Telegram 192 of Oct 12.

EUROPEAN INTEGRATION — CANADIAN STATEMENT ON THE U.K. FREE TRADE AREA PROPOSAL

I think Mr. Hébert's point is well taken, that if the Canadian Government issues a statement on the U.K. Government's proposal for a free trade area, and this statement appears just before or during the St. Cloud meeting of Messina foreign ministers, it is bound to have a dampening effect.[27] I think this is so more because of what the statement leaves out on the political side than because of what is said about how the Canadian economic position might be affected.

2. I do not know how you wish this matter to be handled. One difficulty is that Mr. Pearson has not allowed us to circulate his correspondence with Mr. Spaak outside the Department. For your information I am enclosing copies of this correspondence between Mr. Pearson and Mr. Spaak. Would you like us to try and use some of this material from

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[27] Note marginale :/Marginal note:
I agree [Jules Léger]

the Minister's letter of January 9 in attempting to add a paragraph to the proposed Canadian statement[28] which might be broadened into a statement on the Canadian attitude towards European integration generally, although it would still be devoted for the most part to giving our reactions to the United Kingdom free trade area proposal? Presumably this might only be useful if the statement can be held until the Minister's return.

3. If the Canadian statement as approved by Ministers last week is to be given to the United Kingdom Government without much change, then at least I would suggest it should not be made public until after the St. Cloud meeting[29] and that if a copy is to be given to Mr. Spaak it should be explained in a brief covering message from the Minister.

4. Incidentally, I see from this morning's papers that the Parliamentary Assembly of the Western European Union ended its annual session on Saturday with a plea to the United Kingdom to link itself as closely as possible with Euratom. We do not know if the common market link was also discussed.

R.A.D. F[ORD]

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361. DEA/50377-40

Note du chef de la Direction européenne pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division, to Under-Secretary of State for External Affairs

SECRET [Ottawa], October 17, 1956

Reference: Our Memorandum of October 15, 1956.

EUROPEAN INTEGRATION — CANADIAN STATEMENT ON THE U.K. FREE TRADE AREA PROPOSAL

As you agreed yesterday, we have drafted an additional paragraph — or rather a revision of the present final paragraph — for the proposed Canadian statement on the Western European free trade area proposal of the United Kingdom. The addition would, I think, help broaden the statement so as to take into account the Messina Customs Union to which the free trade area would be related, and indicate a little more clearly than in the original draft that the Canadian Government might be open to some form of association with the free trade area.[30]

2. In view of the "re-negotiation" of the whole statement, I do not know whether our suggested paragraph will be of any use but I think that if the text is to be made public or even if it is to be given to Mr. Spaak privately, it should go beyond technical comments on the free trade area proposal. If this is not possible, I wonder if we should not aim at:

(a) An official confidential reply by the Minister of Finance to the Chancellor of the Exchequer's message, stating the position of the Canadian Government on the U.K. free trade area proposal in its present form, and,

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[28] Note marginale :/Marginal note:
yes [Jules Léger]

[29] Note marginale :/Marginal note:
agreed J[ules] L[éger]

[30] Note marginale :/Marginal note:
Would such an intimation help or hinder the project? A.E. R[itchie]

(b) A broader, less technical statement, which might be made publicly by the Prime Minister or Mr. Pearson shortly after the United Kingdom Government have made their proposals public, in more concrete form than has yet been done.[31]

R.A.D. F[ORD]

[PIÈCE JOINTE/ENCLOSURE]

Projet de déclaration

Draft Statement

CONFIDENTIAL

SUGGESTED FINAL PARAGRAPH FOR THE PROPOSED CANADIAN STATEMENT ON THE WESTERN EUROPEAN FREE TRADE AREA PROPOSAL OF THE UNITED KINGDOM

The Canadian Government appreciates the opportunity for advance consultation on this bold and important proposal. It would greatly encourage the six countries of the proposed Continental Customs Union if the United Kingdom and perhaps some other countries of Western Europe were to associate themselves by means of a free trade area arrangement with this Customs Union. Indeed the whole scheme would be more likely to be adopted and carried through in such a way as to increase the strength and prosperity of this important part of the North Atlantic Community, as well as their sense of solidarity and common purpose beyond the economic field. For the Canadian Government, and for the Governments of the United Kingdom and the United States, as they have already made clear, any further progress on the Continent towards unity both politically and economically should be supported.

The Canadian Government will therefore study carefully the details of the United Kingdom Government's proposal as it develops, and its potential effects upon our relations with the area or with the countries involved.

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[31] Note marginale :/Marginal note:

Comment by Economic Division:

It would seem to me undesirable to say very much, particularly in a public statement about our attitude being influenced by our desire to promote the political unity of Europe.

Some groups and industries in Canada are undoubtedly going to be hurt — at least in the short run — by the creation of a free-trade area which includes the U.K. If our statement has a very large European-political slant, those who are likely to be affected will be able to say that the Government has determined its position not on the basis of a sober appraisal of the project in relation to Canada's national interest but rather on the basis of a prior attachment to the idea of European union. They will claim that they are being sacrificed for this illusion or illusory political objective. This will not help to ensure continuing Canadian support for the project.

Moreover, conspicuous references to European unity are not likely to help the United Kingdom. Those in the U.K. who fear deep involvement in Europe and who would like to represent this project as entailing subordination to some European authority would be given considerable aid and comfort by such a statement from Canada.

I would feel, therefore, that it would be best to aim at a matter-of-fact, pedestrian statement which did not lean very heavily on any connection between this trade project and the development of European unity. A.E. Ritchie Oct 17.

362. PCO/T-50-1-M

Procès-verbal de la réunion du Comité interministériel sur la politique du commerce extérieur, le 19 octobre 1956

Minutes of Meeting of Interdepartmental Committee on External Trade Policy, October 19, 1956

ICETP DOCUMENT NO. 143 Ottawa, October 30, 1956

SECRET

Present

Mr. K.W. Taylor, Deputy Minister of Finance (Chairman)
Mr. N.A. Robertson, High Commissioner for Canada in the United Kingdom
Mr. W.F. Bull, Deputy Minister of Trade and Commerce
Mr. J. Léger, Under-Secretary of State for External Affairs
Mr. L. Rasminsky, Deputy Governor of the Bank of Canada
Mr. G.B. Urquhart, Assistant Deputy Minister (Customs), Department of National Revenue
Dr. A.E. Richards, Department of Agriculture.
Mr. W.R. Martin, Privy Council Office, (Secretary)
Mr. A. Laframboise, Privy Council Office, (Assistant Secretary)

Also Present

Mr. A.F.W. Plumptre, Assistant Deputy Minister of Finance
Mr. C.A. Annis, Department of Finance
Mr. C.M. Isbister, Department of Trade and Commerce
Mr. M. Schwarzmann, Department of Trade and Commerce
Mr. A.E. Ritchie, Department of External Affairs.

UNITED KINGDOM PROPOSALS TO PARTICIPATE IN EUROPEAN FREE TRADE AREA

1. *The High Commissioner for Canada in the United Kingdom* said that the U.K. proposals represented a very important initiative and had to be examined both in the existing political framework and with regard to their economic incidence. The move made political sense in view of the future of Western Europe and its relationship to the rest of the world. It was uncertain whether the Messina group could produce a viable scheme and therefore the question of the U.K's relationship to it was crucial. In the past, the U.K's negative attitude towards European integration proposals had been held accountable for their failures and this history had been in U.K. ministers' minds. The change in their present attitude could only be regarded as a wise one. If the Messina initiative failed and failure could be attributed to the United Kingdom the situation would be unfortunate. The fact remained that present proposals by the Messina group to create a Customs Union did not seem at all sure of success. In particular, the problems created by France would not be easy to surmount and were likely to multiply. The general feeling in the U.K. was that, in the long run, the FTA was a desirable objective. The formula for a progressive FTA proposed by the U.K. ministers was one which should give needed external encouragement to the Messina group while encouraging the participation of Scandinavia and other West European countries in a broader customs union.

Mr. Robertson thought that the political importance of the FTA could not be overemphasized but there was a danger of exaggerating its effects on Canadian trade. The type of scheme envisaged by the U.K. was much broader than Messina. By providing for the participation of the Scandinavian countries, the FTA would likely result in lower tariffs than in the Customs Union. Moreover, the industrial competition which would result from the U.K. entering into a free trade arrangement would tend to create pressures for the removal of tariffs which raise the costs of production. Although it was difficult to forecast what would happen within the next ten years, it was Mr. Robertson's opinion that under a FTA the overall European requirements for what Canada wanted to export would increase.

In appraising the FTA, Canada should take into consideration the important implications of this scheme on the U.K. itself. By joining the FTA the British were putting much of their economy in jeopardy. The risks and sacrifices involved in the FTA were not welcomed by all sectors of the British economy and required a determined political policy to reconcile the existing polls of opinion. The U.K. Board of Trade had, he thought, brought pressure to bear on the Government to take this step as a means of keeping British exports competitive. The press had given the proposals a friendlier reaction than might have been expected. On the other hand, there were fears that the FTA would weaken the Commonwealth and objections to the plan had been raised by some protected industries in the U.K. Because of these objections, any discouraging words from Canada might decisively weigh the balance against the plan. For this reason, Canada could look at the proposals from a position of strength, conscious of the importance of its attitude towards them.

Mr. Robertson went on to say that he thought a free trade area arrangement consisting of the United Kingdom, the Messina group and other Western European countries appeared to stand a better chance of success than the Messina plan itself. The Messina Powers were encountering an increasing number of problems over such matters as the participation of France's colonies, the question of harmonization of social charges and France's special request for transitional measures. The major difficulty in France's position, of course, was financial and, in particular, the value of the franc. If, as a result of increasing problems, the Messina initiative failed and there was no broader arrangement in sight, the plan of the Messina Powers might be replaced by a truncated customs union with a higher tariff structure than presently contemplated.

A wider free trade area plan would give added support for lower tariffs. Also, it would result in self-generating pressures not now present in the United Kingdom for liberalization of commercial and trade policies.

France's position was confused. She would like to see supranational attributes attached to whatever organization emerged. She wanted Germany integrated closely with Europe and she would like the U.K's association to offset Germany. France would appear, in fact, to want to have things arranged to provide her with "cover" to devalue the franc. And, if this eventuality occurred, less would be heard of the other questions, such as the harmonization of social charges, which she was raising.

2. *During the discussion*, the following points emerged:

(a) On the question of colonies it would be easier, from the Canadian point of view, to have them excluded.

(b) As regards the forms of relationship, the U.K. wanted these defined in simple, explicit terms in a way that would require as little international machinery as possible. The U.K. was afraid of a series of escape clauses. Of course a real worry was that if there were not a series of rigid steps prescribed for reaching the objectives of the free trade area, countries would drop out half-way and an impossible situation would result.

(c) There was a feeling in the U.K. and in Europe that the Messina proposals in their original form would not be successful. In some German quarters it was felt that nothing could happen without U.K. participation. As far as Germany itself was concerned, there was a feeling by responsible German elements that the more German industry was integrated with the rest of Europe the less chance there would be of drifting away from Europe.

(d) If the U.K. had proceeded with the collective approach a few years ago and taken Germany, the Netherlands and Belgium along with her, the Messina idea might never have developed. She did not because it was felt that the necessary domestic policies could not be implemented at that time. Such strenuous domestic policies would, however, be required for the new plans. Perhaps the U.K. would feel better able to withstand domestic political pressures against these required steps if she were associated with other countries in the Free Trade Area.

(e) The present statement which had been prepared on the U.K. proposals should be further revised. Once it was approved it should be transmitted to the U.K. before publication. It was important to ensure that this document would be consistent with any communication which might be made privately to the U.K. authorities on this subject. As it stood, most of those who had reviewed the statement since the matter was last discussed felt it was too negative.

(f) As regards the draft statement itself, too much stress should not be placed on the question of negotiations in which Canada would participate. It was assumed by some that the U.K. would have to propose negotiations on the preference problem in any event, but for Canada emphatically to serve notice in the statement did not appear to be wise in the broader context under consideration. On the other hand, there was the domestic reaction to a possible loss of U.K. markets to keep in mind and, in addition, a possibility that we might wish to make some special arrangements with the Free Trade Area. This had a bearing on our relations with the U.S.

(g) Some doubt was expressed as to the desirability of seeking a special interest in the Free Trade Area over the United States. Should not both countries work together as regards the shape and height of the common tariff in Europe? Perhaps North America should be thinking in terms of offering tariff reductions in exchange for reductions offered by the new Free Trade Area. The final objective should be the goal of convertibility.

(h) No duties on coal and steel were levied by members of the Coal and Steel Community on imports from each other. The U.K., it was understood, had suspended the application of its tariff on these products from all sources. As an earnest of the U.K's intention vis-à-vis the FTA, it might be desirable if this arrangement were made permanent at least with respect to the six countries and other possible participants in the FTA.

3. *The Committee*

(a) noted with appreciation Mr. Robertson's comments on the United Kingdom proposals to participate in a European Free Trade Area, and

(b) noted that the Department of External Affairs would re-draft for subsequent consideration the statement on these proposals.

W.R. MARTIN
Secretary

A. LAFRAMBOISE
Assistant Secretary

363. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
au premier ministre

Secretary of State for External Affairs
to Prime Minister

CONFIDENTIAL Ottawa, October 26, 1956

My dear Prime Minister:

I understand that when the proposed statement about possible United Kingdom participation in a European Free-Trade Area was discussed in Cabinet on October 11, it was suggested that, as I was unfortunately absent, I might have an opportunity to comment before the text was finally settled.

Since my return I have gone over the proposed statement very carefully. As you will realize I have been particularly anxious to ensure that our position on these proposals, and any statement which we might make about them, would be consistent with our general relations with the various countries involved. At the same time, I have recognized fully the desirability of reminding our friends in the United Kingdom and Europe of the discipline which they will have to show in their economic affairs if this venture is to succeed. I have also appreciated the need to avoid saying anything which might weaken our own negotiating position for the numerous discussions which will be required with the participants on matters affecting our economic interests directly.

Most of these considerations appear to me to be adequately reflected in the draft which resulted from the Cabinet discussion on October 11. In some respects, however, I would very much hope that the language might be altered in such a way that there would be less risk of frightening off those United Kingdom supporters who may be somewhat uneasy about the prospects for their preferences and also of avoiding undue alarm on the part of some of our own people who may have an exaggerated impression of the extent to which they might be adversely affected by the scheme. I feel that it would be particularly desirable to say at least a little more about the beneficial political effects which the successful implementation of these proposals could have for Europe and for ourselves. Accordingly I have attempted a redraft of the proposed statement which I am enclosing for your consideration.

I am also sending a copy of this letter and enclosure to our colleague, Mr. Harris. I would hope that the three of us might discuss it at your convenience in the near future.

Yours sincerely,

L.B. PEARSON

[PIÈCE JOINTE/ENCLOSURE]

Projet de déclaration

Draft Statement

CONFIDENTIAL [Ottawa], October 25, 1956

PROPOSED STATEMENT WHICH MIGHT BE ISSUED AFTER IT HAS BEEN SHOWN TO THE U.K. AUTHORITIES

The Right Honourable Louis S. St-Laurent, Prime Minister, today issued the following statement on behalf of the government in response to questions that have recently been addressed to Ministers concerning the suggestion that the United Kingdom might join a free trade area embracing most of Western Europe:

The Canadian Government has been informed by the Chancellor of the Exchequer and the President of the Board of Trade of the proposals under consideration by the Government of the United Kingdom which would involve the United Kingdom entering a Free Trade Area in Western Europe along with France, Belgium, the Netherlands, Luxembourg, Germany and Italy (who are considering the establishment of a full Customs Union among the six of them), and other countries of Western Europe. The entry by the United Kingdom into such a free trade arrangement with European countries would entail the removal by defined stages of its customs duties on the products of such countries in return for reciprocal action on their part toward United Kingdom products. The United Kingdom proposes that this arrangement would not apply to foodstuffs, foods, beverages or tobacco. In that event such advantages as are now accorded by the United Kingdom to imports of these particular products from other Commonwealth countries would not be affected.

Even with the exclusion of these products, the changes in United Kingdom and European trading relations involved in the carrying out of those proposals would present a number of problems for Canadian trade with the countries concerned. The various possible effects upon Canada's trade and upon our existing trade arrangements will require detailed study by the government and thorough discussions with the other Governments concerned. The Canadian Government will, of course, participate on a constructive basis in any such discussions.

It will be important that the carrying out of these proposals proceed according to a definite programme and on a firm time-table and be accompanied by appropriate internal economic policies. The proposed new arrangement will have the most widespread beneficial effects if it is brought into being with a minimum of discrimination against the trade of other countries and if the expansion of mutually advantageous trading relations with other countries is encouraged.

If the proposals are carried through with determination, and at the same time the countries concerned proceed forthrightly with the removal of other trade barriers between themselves, and also against other countries as they are already pledged to do, it should be possible to surmount any difficulties which may be created and to increase the flow of trade, and maintain the ties, between this large European area and the rest of the world. On the other hand, a partial development that resulted only in the creation of a new system of intra-European tariff preferences would interfere with trade between Europe and other countries, including Canada, without achieving the positive results which are expected from a full implementing of the plan. Similarly, it would be a matter of concern to us if the pursuit of this European objective, worthy as it is, were to result in an increase in tariffs against non-European countries or in less effort or willingness to reduce the other barriers to the development of competitive multilateral trade, which is the over-riding objective of the Canadian Government and of the General Agreement on Tariffs and Trade.

Should the proposals be adopted and successfully carried through by Britain and nations of Western Europe they should increase the economic strength and prosperity of the peoples of that whole great area and also their sense of solidarity and common purpose even beyond the economic field. Such a result could not fail to be welcomed by Canadians whose cultural, political and security interests as well as economic welfare have been, and are, so closely linked with that part of the world.

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364. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], November 1, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of National Health and Welfare (Mr. Martin),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Registrar of the Cabinet (Mr. Halliday).

. . .

FREE TRADE AREA IN EUROPE; STATEMENT OF U.K. PROPOSALS
(PREVIOUS REFERENCE OCT. 11)

12. *The Prime Minister* submitted a revision of the announcement to be issued concerning the proposals that the United Kingdom join a free trade area embracing most of western Europe.

A revised draft statement had been circulated.

(Secretary's memorandum, Oct. 31, 1956—Cab. Doc. 208-56).†

13. *During the discussion* a number of minor changes were made. It was also suggested that the present was not the appropriate moment to make this announcement. However, the Minister of Finance should, in the next few days, send an official reply along the lines of the contents of the statement to be made public subsequently to the Chancellor of the Exchequer's original message communicating the U.K. proposals to the government.

14. *The Cabinet* approved the statement, as amended during the discussion, concerning the Canadian views on United Kingdom proposals for joining a free trade area in Europe and agreed,

(a) that the timing of the release of the statement be considered at a subsequent meeting,[32] and,

(b) that the Minister of Finance send an official reply† along the lines of the proposed public announcement to the original message on this subject from the U.K. Chancellor of the Exchequer.[33]

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365. DEA/12447-40

Note du chef de la Direction économique pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division, to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], December 17, 1956

IMPLICATIONS FOR CANADA OF THE FORMATION OF A EUROPEAN COMMON MARKET AND FREE TRADE AREA

Attached is a revision of the paper on this subject originally prepared in D.L.(1). It would probably be desirable to have a discussion of this within our own Department at an early date. If you agree perhaps you would care to set the time for a meeting.

A.E. RITCHIE

[PIÈCE JOINTE/ENCLOSURE]

CONFIDENTIAL

IMPLICATIONS FOR CANADA OF THE FORMATION OF A EUROPEAN COMMON MARKET AND FREE TRADE AREA

Now that the United Kingdom has decided to negotiate with the European Common Market countries on a Free Trade Area customs arrangement with the Common Market, it is necessary for the Canadian Government to consider what commercial policy it should follow in the new situation that will result. Canadian trade policy since 1947 has been based upon the non-discriminatory principles of the GATT and upon the benefits to be obtained from the series of multilateral tariff negotiations which have taken place in the GATT. We have benefited particularly from reductions in the U.S. tariff due to U.S. negotiations with Canada and with other GATT members.

The value of tariff reductions by most other GATT members had, however, been inhibited by their retention, in varying degrees, of quantitative restrictions sometimes applied because of balance of payments disequilibrium and sometimes for other less justifiable reasons. The prospect of further worthwhile negotiations under GATT (which would depend on the possibility of substantial U.S. tariff reductions) seems very slight in the foreseeable future. The European common market initiative is in part a response to the inability of the U.S. Government to hold out any immediate prospect of substantial tariff reductions and the alleged persistence of what is termed by European governments a "structural" European balance of payments deficit on current account. Although some countries such as Germany, Benelux and Switzerland are really in very strong balance of payments positions, they allow their progress towards freer trade and convertibility to be held back to suit the convenience of their weaker trading partners in the EPU.

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[32] Pour le texte définitif de la déclaration du premier ministre, publié le 13 novembre 1956, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 9, N° 1, janvier, 1957, pp. 38 à 39.
For the final text of the Prime Minister's statement, which was released on November 13, 1956, see Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 1, January 1957, pp. 38-39.

[33] La réponse du ministre des Finances a été envoyée par le biais du haut-commissaire du Canada — accompagné de ses commentaires — le 10 novembre 1956. La correspondance se trouve dans le MAE 12447-40.
The Minister of Finance's reply was sent through the Canadian High Commissioner on November 10, 1956. The correspondence is on DEA 12447-40.

The Common Market

There are three fundamental ideas, often repeated by Spaak, behind the Common Market initiative:

1. The political necessity of uniting Western Europe. The schemes for purely political and defence integration having *failed*, the initiative is now being directed through the economic and nuclear fields.

2. The general economic necessity of forming a large market in Europe so that this area will be able to compete in broad terms with the USSR and the United States. This necessity is in response to the apparent greater rates of economic growth in the USSR and North America and the fear that Europe will progressively lose ground and become a relatively "under-developed area" unless steps are taken to remove inhibiting trade and financial restrictions.

3. The necessity to unify and strengthen Western Europe's voice and bargaining power in international political and economic negotiations. In the trade field increased European bargaining power would be directed toward lowering the U.S. tariff and perhaps the Canadian tariff (with the possible alternative of increasing Western Europe's contacts with the Soviet bloc).

The Common Market countries (Germany, France, Italy and Benelux) have in mind the removal of tariffs within the common market area by stages automatically over a period of 12-15 years and the progressive formation of a common external tariff wall vis-à-vis non-participating countries.

European Free Trade Area

The United Kingdom proposal is the formation of a European Free Trade Area in association with the European Common Market. They envisage tariff reductions within the Free Market Area pari passu with Common Market reductions while permitting EFTA countries to maintain individual tariffs vis-à-vis non-participating countries. The U.K. insist that foodstuffs, feeds, beverages and tobacco should be excluded from the Free Trade Area but it should be anticipated that, if the Free Trade Area scheme is successful there will be pressure to include these groups of products at a later stage. The pressure would come particularly from the European agricultural exporters.

The fundamental reason for the U.K. switch of policy lay in the dilemma which faced them. On the one hand, if the Common Market were to succeed discriminatory tariffs would be raised against U.K. exports to important markets on the continent (one-quarter of their total exports go to Europe). On the other hand, if the Common Market failed, U.K. opposition would be blamed and a vacuum would be left in Europe in which it would be difficult to stimulate unity or even cooperation. The willingness of the U.K. to associate in this fashion will of course make it more likely that the Common Market itself will at least be initiated.

Canadian Position and Alternative Courses of Action

Canada is now faced with a somewhat similar dilemma to that faced by the U.K. earlier this year though her trading picture is different. The first question to answer is whether we are convinced that the free market area will materialize. There are of course tremendous difficulties to be overcome, but it would be dangerous at this stage not to assume (in view of the U.K. initiative) that some form of preferential area will be initiated.

It is well to bear in mind, however, that the formation of a Common Market or EFTA is not an alternative to the adoption by the European countries of proper internal fiscal monetary and general economic policies. Indeed it would seem that more stringent internal policies would be necessary. These fields of readjustment will remain as difficult as in the past and it is by no means sure or even likely that an area market free of tariffs will be realized in 10 to 15 years. The period required for the complete elimination of tariffs may be a good deal longer, if indeed the initiative maintains its momentum. This prospect would raise the possibility that Europe might be only partially unified by the CM and EFTA initiatives but would raise permanent discrimination against non-participating countries including Canada.

If the judgment is accepted that the CM and EFTA are likely to result in the initiation of some form of preferential area, a variety of Canadian reactions are possible. A few of the principal ones are discussed below.

A. NO BASIC CHANGE IN CANADIAN POLICY

One reaction would be to allow the formation of a European Free Trade Area and Common Market to take its course without any fundamental change in Canadian commercial policy. We could continue to base our trade policy on full compliance with our obligations in the GATT, agree to a GATT waiver (or a favourable Decision under Article XXIV) for the European countries and continue to extend MFN treatment to them. We would probably renegotiate some of our British preferences in the light of the UK/Canada exchange of Notes in 1947. We would probably also consider raising certain tariffs negotiated with EFTA countries.

i. *Economic Repercussions*

Even if agricultural products were excluded, progressively increasing European discrimination against other Canadian exports would develop. Studies made by the Department of Trade & Commerce have indicated that something like 10% of our current exports to the UK would be affected; but this figure does not take account of the potentially larger amount of trade which would take place if QRs were removed. The percentage would also be larger if all of Europe were included. The short-term effect of this discrimination would be to reduce Canadian exports without any compensation except to the extent that we were prepared to make some consequential adjustments in our tariff. Although it is the present intention of the UK to ensure that our main exports would not initially be subject to discrimination, we must not rule out the possibility that discrimination might at a later stage develop for some or all of these as well.

In the longer run the European market for Canadian products should increase if the formation of a Free Trade area stimulates economic growth and higher European standards of living. Such encouragement as the Canadian Government has given the United Kingdom has been conditional upon the scheme resulting in lower rather than higher barriers to trade. At the same time there can be no categorical assurance that this will be the case.

ii. *Political Repercussions*

If the Canadian Government were prepared to refrain from substantial retaliation in the face of discrimination from a Free Trade Area in view of our desire to promote greater European unity, our policy would be most welcome to the Europeans and would be a significant contribution to the success of the scheme. The U.S. would also presumably appreciate our taking on some of the burden of the scheme. We should however expect some complaints from that part of the Canadian export industry which would be affected.

The fact that a large united Free Market in Europe would be in a position to bargain on an equal basis with the U.S. and USSR raises the possibility that it might find concessions more easily available from the latter than the former. Closer European economic relations with the USSR at a time when tariff discrimination against North America was being established, could raise political issues for North Atlantic unity. The possible effect on the NATO defence structure is also to be borne in mind.

B. CANADIAN ASSOCIATION WITH THE EUROPEAN FREE TRADE AREA

The first point to be made here is that there are a wide variety of proposals for Canadian association which could be put forward. These range from full membership — which would involve us in automatic tariff reductions vis-à-vis Europe and consequent discrimination vis-à-vis the United States at the same rate as the European countries — to relatively mild forms of association in which Canada would make only limited tariff changes.

There is no certainty that the European countries would wish Canadian participation or association. It is probable that most of them would not wish to see the United States with its powerful competitive capacity join the area; this would negate one of the principal reasons some of them have for forming the area. It is probable, too, that they have not given much consideration to the possibility of Canada entering into an association with the area without the United States. While there would be some reluctance to extend the arrangement to a non-European country, it is by no means certain that the European countries would be opposed to Canadian association. If there were any desire, on the part of the Canadian Government to avoid some of the risks of non-participation by taking on some of the risks of participation, a wide field of negotiation might be available.

In order to secure non-discriminatory treatment for Canadian exports in a Free Trade Area — or at least some more preferential treatment than that accorded under the mfn tariff — the Canadian Government would have to be agreeable to some degree of preference for Free Trade Area products: (1) We might consider offering to extend British Preferential rates to the European Free Trade Area in return for equivalent Canadian participation in the Area markets. (2) We might extent an equitable share (either by product or by percentage) of our British Preferential rates to the European Free Trade Area in return for more limited benefits in the Area. (3) We might prefer to disregard the British Preferential schedules in considering an offer to the Free Trade Area and merely make known our willingness to negotiate equitable preferences on receipt of Area request lists in return for Canadian participation in the EFTA. Such negotiations might take place prior to the implementation of each stage of EFTA reductions. (4) We might as an extreme course of action, offer to join the Free Trade Area as a full member. The consequence of this would be that we would be obliged *automatically* to reduce the Canadian tariff vis-à-vis the area by stages to zero — subject to the same escape clauses as are provided for all other members.

(i) *Economic Repercussions*

The economic repercussions of various forms and degrees of Canadian participation in EFTA would depend in degree on the extent to which we became involved, but the general tendencies would be similar.

(a) *Internal Repercussions*

To the extent that we were able to ensure Area Preferential treatment for Canadian exports, the Government could expect a favourable reaction from interested Canadian industries. United States-owned branch plants in Canada might expect a substantial increase in their trade with Europe and purely Canadian competitors who would have to enter the EFTA at higher tariff rates.

To the extent that our participation in EFTA obliged us to give lower tariff rates to the U.K. and Europe, Canadian industry could be expected to offer objections. If we proceeded far enough, there might be some necessity to adjust our pattern of industrial development so as to take advantage of the more efficient division of labour over the wider Free Trade Area. The political difficulties of progressing too far in this direction are obvious.

(b) *Repercussions from the United States*

Owing to the very important level of U.S. exports to Canada, any move by the Canadian Government to discriminate to any degree against these imports through participation in an FTA would be bound to give rise to serious thought in Washington and an outcry from U.S. exporters. While it is true that the U.S. Government has given strong support to the CM and EFTA initiatives this has been done in the name of European integration and would hardly extend to support for special Canadian association with the area. (It is relevant to recall how strongly and emotionally the U.S. disliked the British Preferential tariff arrangements: their objections went a good deal further than would have been justified by any rational calculation of the trade effects on the U.S.).

(c) *Repercussions from Other Countries*

The possibility of Japanese objections would have to be borne in mind in view of our exports of wheat and other products to that country. Retaliation from other countries with interests in the Canadian market would also have to be expected. The reaction of other non-European areas of the world to the CM and EFTA initiatives could conceivably be to form their own preferential areas. Such a reaction would be the result of those initiatives and not primarily a result of Canadian association.

(d) *Repercussions in the GATT*

Canadian participation in EFTA in any degree less than full participation would raise difficulties in GATT, as partial association would not be consistent with the provisions of Article 24 (the Article which provides for Customs Unions and Free Trade Areas). A lesser degree of Canadian participation would therefore require a waiver, which might not be very easy to obtain.

(ii) *Political Repercussions*

Mention has been made above of the objections the United States could be expected to register if Canada decided upon association with the EFTA. In addition, the United States would be that much more isolated economically. This could have political effects in terms of United States attitudes towards the NATO countries and NATO itself. If Canada and the United States could be associated with an EFTA upon somewhat similar terms the North Atlantic economic community (and therefore the political community) would become more closely knit. But it seems evident that for a good many years the Europeans will not be willing to reduce their tariff protection against United States competition and will therefore not admit the U.S. into any very meaningful association with the EFTA. If such association was denied the U.S. but conceded to Canada the political effects might be rather unfortunate.

C. FORMATION OF A CANADA/U.S. BLOC

Another possible course that has been suggested is that Canada might take steps to form an economic trading area with the United States. It is not inconceivable that the United States might suggest this. This type of arrangement would presumably envisage reciprocal Canada/U.S. tariff reductions on the Free Trade Area principle or possibly on the Common Market principle.

It is very questionable whether our bargaining position would be very strong vis-à-vis the United States. We should also be encouraging increased U.S. influence in the Canadian market and, depending on the extent to which we lowered our tariffs vis-à-vis the U.S., we would become even more dependent on their internal fiscal and monetary policy and on U.S. economic fluctuations.

Politically our dependence on the U.S. would be increased and we would be alone and weak in any opposition which we might wish to offer to American policies. The formation of a U.S./Canada bloc would provide some additional strength to the U.S., but it would have the effect of widening the economic isolation of North America from Europe.

Conclusions

It is not the purpose of this paper to arrive at conclusions but merely to sketch some of the possible courses facing the Canadian Government on the assumption that the European countries are successful in initiating a Common Market and Free Trade Area. The technical study of what tariff arrangements Canada could attempt to negotiate is primarily a matter for the Departments of Finance and Trade and Commerce. It is not too early, however, to begin thinking about some of the implications and repercussions of the various arrangements that might be possible.

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366. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en France

Secretary of State for External Affairs
to Ambassador in France

TELEGRAM EE-499 Ottawa, December 28, 1956

CONFIDENTIAL. IMPORTANT.

Repeat Brussels, The Hague, Bonn, Rome.
Repeat London, NATO Paris, Washington, Geneva (Information).

EUROPEAN COMMON MARKET

Although the six countries hope to sign the treaty on the common market on January 15 it is still far from clear to us (and we believe to other "outside" countries) what its terms will be. We understand it is now possible there may be a special session of GATT in March to consider the treaty prior to ratification. This makes it a matter of some urgency for us to formulate our views of the specific arrangements that may be envisaged.

2. We would be grateful if you would point out to the government to which you are accredited that from the beginning we have been taking it for granted

(a) that while the terms of the treaty may not be entirely consistent with the letter of Article 24 of the GATT they will faithfully reflect the general intent of that article;

(b) that in respect of matters not dealt with in Article 24 for example Quantitative Restrictions there will be no provisions inconsistent with the other provisions of GATT.

We should be grateful to have confirmation that these assumptions on our part have been correct.

3. A senior official of Trade and Commerce, Mr. M. Schwarzmann, is to attend the meeting of the OEEC working party on the free trade area in Paris on January 8 and 9. Following that meeting it is our hope that he may have talks with officials of the French Government about the Common Market Treaty and then visit some or all of the other four "Messina" capitals for similar discussions. Although we cannot yet give you his precise time table, we would be glad if you would inform appropriate officials of our hope that Schwarzmann will be able to visit your capital for this purpose. We would hope you could arrange for him to see responsible officials directly concerned with the negotiations so that these talks may be as useful and meaningful as possible. We would not however wish the reply to our enquiry in paragraph 2 above to be held up until Schwarzmann arrives.

4. Very tentatively Schwarzmann would expect to be in Paris from January 8-11, Brussels January 14 and 15, The Hague January 17 and 18, and Bonn about January 21. He may not go to Rome if he finds he can see Italian officials in Paris or Brussels. He will confirm dates from Paris.

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367. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM EE-506 Ottawa, December 28, 1956

CONFIDENTIAL. IMPORTANT.
Repeat NATO Paris, Washington (Information).

FREE TRADE AREA

We have been informed by Earnscliffe (see CRO telegram December 22 which you have been given) of the accelerated time table for negotiation of the Customs Union and the Free Trade Area. This corroborates information we have received from OEEC circles in Paris. It appears possible that the Customs Union Treaty may be referred for approval to a special session in March of the Contracting Parties to GATT.

2. On important aspects of the Customs Union not much information has as yet been made available. In view of the short time until we may be faced with decisions on our own position in GATT, we are sending a representative from Ottawa (Schwarzmann of Trade and Commerce) to attend OEEC working party 17 on January 8 and then to visit each of the Messina capitals in succession to find out what he can. We are hoping that he will visit London about January 24 for discussions there. In this connection please refer to our tele-

gram EE-499 of December 28. We would like you to inform interested United Kingdom officials of the plans being made for Schwarzmann's trip.

3. In addition we would like you to register with UK officials as soon as possible some observations and questions regarding the Free Trade Area which are set forth in paragraphs 4 and 5 below. These arise out of the statements made by the President of the Board of Trade and by the Chancellor of the Exchequer at the ministerial meetings on the free trade area in Ottawa and Washington last September, on the basis of which our Prime Minister made his public statement on November 13. Since then Earnscliffe has provided us with progress reports from time to time, which we have appreciated, and these have of course been supplemented by reports from Paris and elsewhere. From all of this information it would appear that a quite considerable process of erosion may have been taking place in the United Kingdom's position which was initially put to us in categorical terms. While our questions are not exhaustive nor necessarily indicative of any changes in views here, they do reflect our desire and concern to ascertain whether such a process has been at work and if so to what extent.

4. With respect to Quantitative Restrictions and discrimination we were informed that there will be full and unqualified compliance with the GATT rules. This would mean that the balance of payments provisions of GATT would continue to define the circumstances in which restrictions (and discrimination) could be applied and that there would be no impairment of the obligation of a country applying restrictions to dismantle them as soon as possible. Although we were of course told that the Free Trade Area would provide by stages for the reduction of tariffs we were not told of any programme for the reduction of Quantitative Restrictions other than by reference to the rules of GATT. In contrast to this position we have been quite disturbed to find responsible Europeans who take it for granted that the Common Market will include arrangements for the discriminatory application of Quantitative Restrictions by the participants in favour of each other. At the October session of the Contracting Parties to GATT we were impelled to state our concern that any plans for removal of restrictions in the Messina group should be consistent with the GATT rules. We cannot of course hold the UK responsible for views held in Europe but we have been surprised at the apparent absence of efforts by the UK to reach clear cut understandings on the use of Quantitative Restrictions with the other countries concerned to implement the intentions which UK ministers expressed to us. We would be interested in knowing whether UK views on the use of Quantitative Restrictions and discrimination have changed since September.

5. The UK intended to insist that definite and irrevocable arrangements should be made applicable to individual tariff items so that businessmen would know where they stand, and it was intended in addition that the part played by tariff escape clauses would be negligible. We would gather particularly from attitude taken by the UK in the OEEC working party on escape clauses relating to general depression and problems of particular industries that both of these objectives had been considerably modified. We would be interested to know the present position.

6. In the message referred to in paragraph 1 above our views were requested on the problem of associating Greece, Turkey, Portugal, Republic of Ireland and Iceland with the Free Trade Area and also on the inclusion of dependent overseas territories in the Free Trade Area and the Customs Union. At this stage we are not in a position to express our views on either of these subjects. In our opinion however the matters referred to in paragraphs 4 and 5 above are of more basic importance to the success of the Customs Union and of the Free Trade Area. With respect to the "under-developed" European countries the considerations we have in mind at this stage are that while we fully recognize the

motives impelling the inclusion of other OEEC and NATO countries the health of the whole movement requires integrity at the centre. Consequently we would hope that any arrangements devised for their association would not be such as to dilute the rules governing the plan as a whole. We wish however to reserve our views both on this question and on the complex question of the position of the colonies. We would however draw your attention to the several references in the CRO telegram to the use of quotas; this is relevant to our enquiry in paragraph 4 above.

7. We shall explain to Earsncliffe that we would normally have replied through them to the two questions they put to us. Since these replies are related to these other matters however we are including them in this message.

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368. DEA/12447-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 7 London, January 3, 195[7]

CONFIDENTIAL. IMMEDIATE.
Reference: Your telegram EE-506 December 28.
Repeat NATO Paris, Washington (Information).

FREE TRADE AREA

We discussed the points raised in your message with France (Treasury) Bretherton (Board of Trade) and Crawley (CRO) at a meeting convened for this purpose yesterday.

2. UK officials thought that, before replying on specific issues, they ought to underline a general point which it was important to bear in mind. Mandate of working party had been restricted to examination of practical feasibility of creating Free Trade Area in Europe around Customs Union nucleus. This meant that prospective members were not at this stage committed to particular procedures for setting up Free Trade Area. It also accounted for omission from scope of report of some of the broader issues you had raised and to which careful consideration would, no doubt, have to be given at a later stage.

3. It is assumed here that your apprehensions are due in part at least to discussions taking place in Customs Union context and timetable to which Messina countries are now working. While it now looked as if Common Market Treaty was unlikely to be signed before early February, tight schedule which had been adopted at Brussels was matter of equal concern to UK. They were concerned, in particular, lest irrevocable decisions be taken at Brussels which might make it more difficult to formulate an acceptable Free Trade Area scheme. This is likely to be main burden of UK representations to Spaak when he visits London later this month and memorandum in this sense has already been presented to him.

4. UK officials assured us that their position had not changed to any significant extent since Thorneycroft and Macmillan outlined Free Trade Area proposals to their Commonwealth colleagues in Washington. In general terms UK position remains that commitments on tariffs and quotas should be as rigid as is practicable in existing circumstances while some of the other problems involved in creation of Free Trade Area should be left to work themselves out on basis of actual experience in operating scheme. This is because

dismantling of tariffs and quotas is core of Free Trade Area scheme while attempt to deal with their problems before they materialize is more likely than not to introduce element of inflexibility which UK regard as undesirable and unnecessary.

5. UK views on tariff reductions have admittedly moved somewhat from original position which had been to press for strictly linear approach to reductions. (It has however been pretty clear all along that they might have to be satisfied with something less). On the other hand, they had been able to move Messina powers to adopt at least semi-linear scheme. In their view there may be something to be said for additional flexibility this provides if only because use of escape clauses could be held to strict minimum in this way.

6. As far as escape clauses were concerned, working party's report did not provide for their use in any form in event of general crisis or economic depression. Decision that emergencies of this kind should be dealt with on ad hoc basis in light of existing circumstances reflects UK point of view. In case of balance of payments difficulties report makes it clear that derogations from commitments to reduce tariffs are regarded as unsuitable and prejudicial to effective operation of Free Trade Area scheme. Even where difficulties are encountered in specific economic sectors, raising of tariffs or reimposition of tariffs already reduced is not contemplated. Europeans continue to feel, however, that there is case for postponement in further reduction of tariffs unless greater reliance were to be placed on recourse to quotas. UK officials gave us to understand that this was a point on which their minds were not yet firmly made up.

7. In matter of Quantitative Restrictions and conformity of their application with GATT rules, UK officials suggested that it would be a mistake at this stage to look for anything positive in working party report. It was more important to see whether there was anything in it that contravened GATT provisions. In UK view report insofar as it carried any external implications contained no challenge to GATT. It was in fact conceivable that as time went on a régime more stringent than GATT rules governing use of Quantitative Restrictions might develop in Free Trade Area context. This is implied in annex to working party report dealing with escape clauses which states that provisions of GATT have been "considered as a minimum basis".

8. While we conceded that working party report did not by and large concern itself with relationship between Free Trade Area and third countries we drew attention of UK officials to tentative provisions which had been worked out for use of Quantitative Restrictions in case of difficulties in specific sectors of production. This would amount in fact to using Quantitative Restrictions for protective purposes and it did not seem to us that even liberal interpretation of emergency provision of Article XIX(1) of GATT would justify their use in these circumstances. Nor was hard-core waiver designed to meet this kind of problem. UK officials undertook to look into this point which we understand is due in any case to be discussed again in working party.

9. On association of "underdeveloped" European countries and overseas territories with Free Trade Area we informed UK officials that this was problem to which you would wish to give further thought although general considerations you had asked us to convey to them were bound equally to affect Canadian attitude on this matter. UK officials are in entire agreement with your view that "health of whole movement required integrity at centre". This was in fact essence of problem. Problem of association of overseas territories was not one of urgency but this was not true of association of underdeveloped European countries on which UK felt they had to formulate views even in advance of OEEC ministerial meeting scheduled for February. Countries concerned were pressing their claim to participate in Free Trade Area with considerable insistence and with little ostensible concern about

whether or not "integrity" of scheme would be impaired. UK are afraid that they might well be disposed to block progress in OEEC unless account was taken of their position. In view of UK concern and need for early decision on their part as to how problem is to be handled you might consider briefing Schwarzmann for working party meeting of January 8.

10. UK officials will be glad to discuss further with Scharzmann general points raised in your message and any others which may have given rise to Canadian concern. It was also suggested that, before coming to London he might establish contact with Bretherton who will be representing UK at meeting of OEEC working party next week.

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369. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM E-36 Ottawa, January 8, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: My telegram No. E-35 Jan 8/57.†

Repeat (Important) London, Washington and (Routine) Paris, Brussels, Bonn, The Hague, Rome.

EUROPEAN COMMON MARKET

1. Following for Schwarzmann. Your questions and discussions on the Messina plan will of course be affected according to your own judgment by the portion of the draft treaty which we received and which you were able to peruse very hastily before leaving. A summary is contained in our telegram E-35 of January 8. The following comments on the draft may helpfully supplement your own impression of it.

2. There are provisions for the reduction of tariffs by 60% on the average and for the reduction of each item by 50% over a period of eight years. This means that participants must take substantial bites out of their hard core of sensitive items during the first two stages. However, there are apparently no plans whatsoever for the third stage, either for its duration or for the progress to be made in eliminating tariffs and the lack of such plans would seem to be in conflict with GATT Article XXIV.

3. There is a provision for the modification by unanimous decision of the Council of the rules applicable to tariff reductions. We take it that the GATT would not be asked for advance approval of this provision and that such unanimous decisions of the Council would be referred to the GATT for approval before being put into force.

4. The tariff escape clause has not been included in the draft we have although we understand there will be such a clause.

5. There is no indication of how the arithmetical average of existing tariff rates is to be calculated in establishing the new rates. We are unable at short notice to form a judgment on how much difference it will make to eliminate temporary suspensions and rates of duty below 3 percent from the calculation of arithmetical average duties on certain products. While the ceilings appear reasonable, (3 percent for raw materials and 10 percent for semi-finished products) we shall defer judgment on this until we are able to appraise the force of

the exceptions which are stated and the methods of calculation which are adopted. There is no indication of the level of the common tariff applicable to finished products.

6. With regard to Quantitative Restrictions, we are of course favourably impressed by the two general provisions which are designed to eliminate conflict with the GATT. We are quite seriously disturbed, however, by the definite commitments set forth to eliminate Quantitative Restrictions within the Common Market whether or not the balance of payments of each country is in order, and whether or not QR's against outside countries are treated similarly. This is of course in conflict with GATT. Furthermore, we think the acceptance of the obligations to eliminate quotas among the participants might impair their ability to eliminate quotas against the outside world. Similar objections would apply to the undertaking never to reimpose QR's against any member country.

7. We also note that one of the objectives of the common commercial policy of the Six is to achieve uniformity in their liberalization measures and they will encourage the setting up of a common list of liberalization vis-à-vis third countries. You are aware that we have consistently opposed such a list because participants would be inclined to follow the pace of the slowest members.

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370. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM E-48 Ottawa, January 11, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Your telegram 7 January 3.
Repeat NATO Paris, Washington (Information).

FREE TRADE AREA

1. We have been told by Earnscliffe that the UK government are now at work on a memorandum to be tabled in OEEC within the next two or three weeks setting out their basic principles for negotiation of a Free Trade Area. This information gives us a good opportunity to revert to some of the points in our telegram EE-506 December 28 on which we found the UK replies which you conveyed in your telegram 7 January 3 rather unsatisfactory.

2. We had not overlooked the terms of reference of the working party. It would be unrealistic however to suppose that its report would not form the starting point of the negotiations that will follow, or to expect that many important elements of the approach so carefully devised by the working party could be renegotiated.

3. It is true that a good deal of our concern stems from what we believe to have been worked out in Brussels, having in mind as we must the fact that there will be strong pressure (as the working party report recognizes) to make the provisions in a Free Trade Area treaty with respect the elimination of tariffs and quotas identical or very similar to the provisions in the Brussels treaty.

4. In your paragraph 4 you quoted the UK view that the dismantling of tariffs *and quotas* is the heart of the scheme; and this is of course fully consistent with the approaches that

have been followed in Brussels and Paris. In Ottawa and Washington however the elimination of tariffs was the core of the Free Trade Area scheme adumbrated by the UK, and such mention as there was of Quantitative Restrictions was accompanied by the assurance that the GATT rules would prevail. It is true enough that nothing in the working party's report explicitly denies that the GATT rules will prevail, but it seems to us much more likely than not that a firm commitment to reduce QR's within the group by a certain percentage in each phase will result in situations inconsistent with the GATT rules. In this connection see our telegram E-36 January 8. We are not simply being purists or "high priests of GATT" in expressing this concern. The principles in Article 24 were designed (a) to give a reasonable degree of protection to the interests of outside countries (b) to ensure that the economic health of the participating countries would not be jeopardized by excessive protection against the rest of the world; and (c) so as not to prevent a country in balance of payments difficulties from imposing QR's against its partners in a customs union to protect its balance of payments. These safeguards could be completely nullified if a discriminatory system of quantitative restrictions became a central part of the treaties. If the UK is leaving this aspect of the Free Trade Area to be settled at a later stage as the first sentence of your paragraph 7 seems to imply we are pretty apprehensive about the outcome. (We think it more likely that they have already decided upon their attitude but are reluctant to enlighten us at this stage).

5. On the question of tariffs from what we have heard about the draft Brussels treaty reasonably clear provision is made for the reduction of tariffs by 60% but there is no programme for the elimination of the other 40%. Surely as time goes on it will become more and more difficult to agree on the plan for this last and most difficult phase. If the Six cannot agree on such programme now is it likely to be easier for them to do so as the time draws nearer and their most sensitive industries rally to defend themselves? In view of the UK concern to have certainty and fore knowledge of future tariff changes we would expect UK officials to be quite worried about this aspect of the Customs Union plan.

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371. DEA/12447-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 73 London, January 14, 1957

CONFIDENTIAL. IMMEDIATE.
Reference: Our Telegram 7 January 3.
Repeat Washington, NATO Paris (Information).

FREE TRADE AREA

Schwarzmann and Goldschlag had a meeting with Arnold France (Treasury) on January 11. The meeting was also attended by Figgures (Treasury) Bretherton (Board of Trade) and a representative of the CRO.

2. We told the UK side that the time was close at hand when Canada would have to take a formal position and formulate future policy on the plans at present under discussion for closer economic integration in Europe. We explained the general Canadian position on these plans in the terms of the Prime Minister's statement. In particular, we suggested that

in our view the countries concerned should, as a matter of urgency, define more clearly the implications of their proposed arrangements for third countries. It was our feeling that this had not so far been done apart from vague general references that the arrangements would conform with commitments under GATT and IMF.

3. On the basis of the assurances given to us by UK ministers last September, we hoped that we could count on the UK to exert their influence in this direction at their forthcoming talks with Spaak. While we realized that we could not hold the UK responsible for the Customs Union arrangements, we felt that as partners in a joint programme under GATT and IMF we and they had a right to exert our influence on these arrangements and that both the Customs Union and the Free Trade Area would be directly affected by the nature of their relations with the outside world. The possibility of repercussions on the commercial policy of third countries, including Canada, was a case in point. The UK side did not demur. France pointed out, however, that the assurances given to us reflected UK views but that, to the extent that others were involved, these views were necessarily subject to the exigencies of negotiation.

4. We questioned the UK side closely on the subject of Quantitative Restrictions and discrimination. It was clear that UK views in this matter were at considerable variance with ours and we left them in no doubt that this was the case. The following are the principal points which emerged from our discussion.

(a) We derived the clear impression that the UK regard the dispensation given by Article XXIV of GATT to discriminate as covering not only tariffs but also "other regulations of commerce" including Quantitative Restrictions; in other words, they would seem to maintain that a discriminatory elimination of Quantitative Restriction is inherent in the concept of a Customs Union or a Free Trade Area.

(b) At the same time, the UK continue to regard themselves as bound by GATT and IMF and by their own commitment under the collective approach to press forward with the removal of all Quantitative Restrictions as rapidly as the situation permits. This did not mean, however, that the reduction of Quantitative Restrictions against third countries would necessarily follow the same pace or cover the same products as the programme of internal reductions within the Free Trade Area. But they foresaw that strong internal pressures to remove Quantitative Restrictions against third countries were bound to develop as the Free Trade Area arrangements went forward.

(c) We suggested that this approach would also raise serious issues of principle for us since it appeared to establish new and different criteria from those now governing our relations under which discriminatory restrictions can be justified only on balance of payments grounds. In reply the UK side expressed some surprise that we should now raise this issue in relation to the 6 percent of their trade which was still subject to quota when we had not raised it in relation to the 94 percent which had already been liberalized on the same basis. They added that the whole process of OEEC liberalization appeared to have been accepted and claimed that the principle underlying it had also been accepted by implication in the Benelux Customs Union and in the granting of the Belgian waiver.

(d) The UK agreed with us that the Customs Union would not justify a common approach by member countries to the removal of Quantitative Restrictions against third countries unless there was a common balance of payments. Moreover, if the UK ran into balance of payments difficulties as a member of the Free Trade Area, they would impose Quantitative Restrictions applicable both within and outside the area.

(e) With respect to the possibility of the UK seeking a GATT hardcore waiver after the removal of balance of payments restrictions, we said we assumed that they would seek such a waiver without modification. The UK side replied that the Free Trade Area commitments meant that they might, in practice, have to seek a waiver from the hardcore waiver so as to enable them to discriminate in favour of their Free Trade Area partners. They added that this would probably have been necessary in any event and that they thought this had been explained to us at Geneva. We expressed serious concern about the concept of a discriminatory waiver and stressed that we had accepted the GATT hardcore waiver reluctantly and only on condition that it would be on a nondiscriminatory basis. Any further widening of the agreed rules was likely to make it increasingly difficult for Canada to maintain the kind of trade policy which we had been following.

5. As far as the use of escape clauses in the Free Trade Area was concerned the UK said that Quantitative Restrictions could be imposed in case of balance of payments difficulties and these, as we had been told, would in their own case be of general application. Where the difficulty was encountered in a specific industry, the UK had not yet been able to formulate any clear view as to the measures that might be required. Part of the problem was that an industry might be faced with difficulties which did not stem from the establishment of the Free Trade Area, in which case the GATT procedure under Article XIX could be used. If the difficulties did, however, relate directly to the establishment of the Free Trade Area, the best means of coping with them might be a delay in the internal programme of tariff reductions. We thought it important however, to remind the UK of the danger that any new criteria for an escape clause action might well serve as a lever for protectionist groups in the USA to press for a general broadening of the escape clause procedures in GATT.

6. On agriculture, the UK feel that they are in not too strong a position to register their concern about the restrictive arrangements being considered at Brussels. They also feel that the USA is in a similarly weak position to intervene affectively. They suggested, therefore, that it might be useful if we were to raise this issue in our discussions with the Messina powers. The UK do not believe that the agricultural arrangements of the Customs Union will be such as to conform with Article XXIV of the GATT and we have the impression that they are concerned to have this point emerge clearly so as to be able to show that the treatment of agriculture which they advocate represents, on balance, a less objectionable alternative.

7. It was agreed that we would have another meeting with the UK side when Schwarzmann returns to London later this month.

N.A. ROBERTSON

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372. DEA/50377-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 122 Washington, January 17, 1957

CONFIDENTIAL. IMMEDIATE.

EUROPAN CUSTOMS UNION

We followed up by phone yesterday with Isaiah Frank the meeting of Canadian and American officials which was held at the State Department the day before (Tuesday) on this subject. Frank informed us that they were in the process of drafting a telegram in which would be set out the USA position and views on the latest information available (largely the Brussels reports) about the provisions of the proposed Customs Union. We must emphasize that these views, which Frank outlined to us and which are set out below, have not yet been cleared in the State Department and with other departments and agencies concerned. Nonetheless, Frank explained, they were anxious to keep us fully and currently informed of what they were doing and proposed to do.

2. Frank said that they had given a good deal of thought as to how these views might be communicated so that they would have the maximum impact on the discussions now going on in Europe. He explained that hitherto USA views had been expressed rather sporadically, in general terms and usually at the working level. On this occasion, however, it is their intention to communicate their views directly to Mr. Spaak as Chairman of the Heads of Delegations of the Messina countries. Frank thought that they would also be registered in each of the six capitals concerned.

3. The summary of the USA views as they stand at present is as follows:

Agriculture. USA officials think it advisable not to be too specific at this stage and consider that it would be unwise to make concrete suggestions as to what the Customs Union Treaty should provide with respect to the agricultural sector. The USA will therefore express misgivings about some of the proposed provisions of the treaty and will state its opposition to provisions which would be along certain lines. The USA will make clear that in its view the treaty should be designed (1) so as to lead to a common market in agricultural products and (2) to ensure for the exports of non-members treatment no less favourable than they now enjoy, account being taken of course of the inherent tariff "discrimination" involved in a common market arrangement. Frank explained that the language which they would use in commenting on a treaty which would not contain these two basic provisions is still to be negotiated within the administration.

Tariffs. The USA will seek clarification on a number of points: the 7 per cent provision (where any member can require that the common tariff be negotiated with its fellow-members); the apparent exclusion in the "arithmetic average" (to arrive at the common tariff) of duty-free items; the level of the common tariff on agricultural commodities. The USA will also enquire about the Customs Union provisions envisaged for the removal of the remaining 40 per cent of tariff after the end of the second period (8th year); Frank explained that they would probably be satisfied if the treaty contained a firm commitment that all tariffs between the members will have been removed at the end of the transitional period — but they are not sure, he said, that such was in fact envisaged.

Q.R.'s. Frank confirmed that their interpretation of Article XXIV and Articles XI-XIV is the same as ours and this is the view which they will now make known in Europe. He referred briefly to the comments which had been made at the meeting on Tuesday about the possible exception to this interpretation which might have to be made "eventually" with respect to the dismantling of existing Q.R.'s as between the members of the Customs Union in a way which would discriminate against non-members. He said that he had in mind writing to Wyndham White in Geneva to enquire about these points of interpretation. We informed him on a personal basis of the interpretation which was contrary to the interpretation on which both Canadian and American officials agreed.

[A.D.P.] Heeney

373. **PCO/T-50-1-M**

Extrait du procès-verbal d'une réunion du Comité interministériel sur la politique du commerce extérieur

Extract from Minutes of Meeting of Interdepartmental Committee on External Trade Policy

ICETP DOCUMENT NO. 144 [Ottawa], January 18, 1957

Present:

Mr. R.B. Bryce, Secretary to the Cabinet (Chairman)
Mr. K.W. Taylor, Deputy Minister of Finance
Mr. W.F. Bull, Deputy Minister of Trade and Commerce
Mr. J. Léger, Under-Secretary of State for External Affairs
Mr. David Sim, Deputy Minister of National Revenue for Customs and Excise
Mr. J.R. Beattie, Deputy Governor of the Bank of Canada
Dr. A.E. Richards, Department of Agriculture
Mr. A. Laframboise, Privy Council Office (Acting Secretary)

Also Present

Mr. M.W. Sharp, Associate Deputy Minister of Trade and Commerce
Mr. C.M. Isbister, Department of Trade and Commerce
Mr. W. Lavoie, Department of Trade and Commerce
Mr. W. Van Vliet, Department of Trade and Commerce
Mr. A.B. Hockin, Department of Finance
Mr. C.A. Annis, Department of Finance
Mr. J.F. Grandy, Department of External Affairs
Mr. M. Sakellaropoulos, Bank of Canada
Mr. F. Shefrin, Department of Agriculture.

I. RECENT DEVELOPMENTS IN THE CUSTOMS UNION AND FREE TRADE AREA PROPOSALS

1. *Mr. Isbister* reviewed summarily recent events relating to the Customs Union and the Free Trade Area. A draft had recently been obtained of important portions of the Customs Union Treaty relating to tariffs and quotas. After receiving this information, a meeting had been arranged in Washington with representatives of the economic side of the United States State Department and other interested departments. Worthwhile information was exchanged with the United States officials whose approach to the common market proposals appeared to be in harmony with that of Canada. On the basis of the information at hand he recommended that representations should be made urgently at a high level to the Messina Governments to indicate Canada's concern about certain of the conclusions they appeared to be reaching in their negotiations. Although it was possible that the Messina powers might disregard such comments, it was thought important nevertheless to register our views at this stage. Some objectionable principles established in the Messina Treaty might well be extended to the Free Trade Area and to the overseas dependent territories. Ultimately the Sterling area might also become involved. He recognized the danger of such a trading bloc being based on principles which would tend to discourage trade and financial relations with dollar countries and other outside countries.

Although the participants in a Customs Union are supposed to abolish tariffs within their group over a reasonable period of time, the Messina countries had evidently found great difficulties in agreeing on this. Their plans for the removal of tariffs appeared to be vague in some respects and incomplete; their timetables appeared to be indefinite and there would evidently be escape clauses.

The provisions for quantitative restrictions did not appear to be consistent with the ideas set forth in the balance of payments provisions of the General Agreement on Tariffs and Trade and their effect would be to encourage excessive discrimination against trade with the outside world.

Information concerning plans for agricultural trade was still quite incomplete but very disturbing. The Messina Governments were evidently discussing special arrangements, for example, by which European surpluses would be guaranteed markets, even at premium prices, at the expense of imports from abroad. Other types of special arrangements were also being considered. There was a great danger that the Customs Union might be used as a facade to establish high levels of protection against the outside world and uneconomic production in Europe. Although the United Kingdom was insisting that the Free Trade Area should exclude agricultural trade, it was quite possible that means might be found to include Free Trade Area countries in some of the special agricultural arrangements being considered by the Messina Governments.

Article XXIV of GATT which provides for Customs Unions and Free Trade Areas is so loosely drafted as to open to varying interpretations. Mr. Isbister suggested, therefore, that our representations should be based on policy considerations rather than upon a legalistic interpretation of GATT.

Mr. Isbister tabled a draft message (Annex "A")[34] containing an Aide Mémoire which Mr. Grandy had prepared in consultation with others as a basis for representations to the Messina Governments.

2. *Mr. Taylor* said that there were three ways of communicating Canada's views to the Messina Powers: either

(a) by sending an Aide Mémoire to Canadian ambassadors and having them register Canada's views in the usual manner; or

(b) by sending a roving ambassador to each of the Messina Powers; or

(c) by sending a personal message from one of Canada's Ministers to Mr. Spaak and to the leading Messina representatives.

3. *Mr. Léger* suggested that Canada adopt a joint approach with the United States. Canada could send the necessary instructions to its ambassadors while similar instructions were being sent by the U.S. State Department to its ambassadors.

4. *During the discussion* the following points emerged:

(a) Although there was a danger that adverse comments from Canada might weaken the Customs Union, they would not necessarily discourage Europeans from supporting the common market proposals;

(b) Canada's comments would not necessarily influence the Messina Powers but it was felt that they should be recorded;

(c) Efforts should be made to obtain U.S. support to strengthen Canada's statement;

(d) It was most important that Canada's views should be expressed as soon as possible because the OEEC would soon be meeting to study the draft Brussels Treaty and because the U.K. intended to present a memorandum on the Treaty within the next few days;

(e) Canada and the United Kingdom hold similar views on tariffs but apparently conflicting views with regard to the use of discriminatory quantitative restrictions;

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[34] Une version légèrement modifiée de ce projet se trouve dans le document 375.
A slightly amended version of this draft is printed as Document 375.

(f) It was felt that besides the U.S. there were possibly other countries such as Australia, Cuba and Japan which held views similar to Canada.

5. *The meeting agreed*:

(a) that Cabinet, or at least the three ministers concerned, should receive a report on recent developments in the Customs Union;

(b) that Canada should register her views on the recent Common Market developments as soon as possible;

(c) that Canada should try to get U.S. support;

(d) that the departments concerned would draft the necessary message and agree as to the best method of making Canada's views known to the Messina Powers.

6. *Mr. Léger* said that if this matter was not made public, he thought that the form of the message under consideration was generally acceptable. However, if this statement was made public the Department of External Affairs wanted it to be like the last paragraph of the statement issued recently by the Prime Minister (ICETP-182).

7. *Mr. Sharp* stated that the Department of Trade and Commerce did not want the statement under consideration watered down.

8. *Mr. Hockin* said that the Department of Finance agreed with this view. He thought the form of the present message was appropriate because it stated that Canada's concern was founded on information which was not verifiable but which, if true, would have serious consequences.

9. *The Chairman* summed up by saying that the statement should express Canada's continuing support of the integration movement in Europe while expressing Canada's fear of the Customs Union becoming a closed economic unit.

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374. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en République fédérale d'Allemagne

Secretary of State for External Affairs
to Ambassador in Federal Republic of Germany

TELEGRAM E-136 Ottawa, January 25, 1957

CONFIDENTIAL. IMPORTANT.

Repeat Paris, The Hague, Rome, Brussels.
Repeat (Information) Canac Paris, London, Washington (Important); Permis New York (Immediate).

EUROPEAN COMMON MARKET

We may decide very soon to make representations to the Six Governments involved in the Brussels negotiations for a European Customs Union in order to point out the aspects of their present plans as we understand them which could give rise to concern on our part.

My telegram E-137 January 25 contains the draft text of a note we may wish you to present at an early date. Please hold this pending further instructions.

For your own information we understand USA is making somewhat similar although more detailed representations this weekend.

Permis New York only. Draft text being cleared with Mr. Harris and probably Mr. Howe tomorrow. Please bring it to Mr. Pearson's attention.

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375. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en République fédérale d'Allemagne

Secretary of State for External Affairs
to Ambassador in Federal Republic of Germany

TELEGRAM E-137 Ottawa, January 25, 1957

CONFIDENTIAL. IMPORTANT.

Reference: Our telegram 136 January 25.
Repeat The Hague, Brussels, Paris, Rome.
Repeat (Information) NATO Paris, London, Washington (Important); Permis New York (Immediate).

EUROPEAN COMMON MARKET

1. In a statement on November 13 (which was conveyed to you) the Prime Minister of Canada outlined the basis upon which the Canadian Government welcomed the successful development of a European Customs Union and Free Trade Area. In this statement Mr. St. Laurent said, among other things, "The proposed new arrangement will have its most beneficial effect if it is brought into being with a minimum of discrimination against the trade of other countries and if the expansion of mutually advantageous trading relations with other countries is encouraged"; and, "It would be a matter of concern to us if this European objective, worthy as it is, were to result in an increase in tariffs against non-European countries or in less effort or willingness to reduce the other barriers to the development of competitive multilateral trade ...".

2. We recently sought and received assurance that the provisions of the proposed treaty would be consistent with the basic principles of multilateral trade to which we have all attempted to give expression in the General Agreement on Tariffs and Trade. We welcomed this assurance; but as we have learned more about the terms of the proposed treaty it has appeared to us that there may be significant differences of interpretation of some of these principles between the Six countries and ourselves. Our concern is not primarily with the legalistic question of what is the correct interpretation of each of the relevant articles of the GATT, on which there is room for genuine differences of opinion. We are worried however about the following substantial points of policy which appear to underlie this question of interpretation. In total these are important enough that to our minds they might have a decisive bearing upon the future development of multilateral trading arrangements in general and perhaps upon the eventual success of the Customs Union itself.

Tariffs

3. On the basis of information so far available we understand that definite plans set out in the treaty only go part way in the elimination of duties between the participating countries leaving the details for the final and most difficult phase of reductions to be decided later in the light of experience. There have been indications too that some of the rules being considered for the establishment of a common tariff might in quite important respects result in

duties which would be higher or more restrictive than the general incidence of duties under the present régime.

4. While we fully recognize the difficulties which are inherent in the process of eliminating internal tariffs and arriving at a common tariff we wonder whether it will be possible to obtain the confidence and support of outside countries for plans which might be represented as half-way measures.

Quantitative Restrictions

5. We have received assurances that it is the continuing firm intention of the Messina countries to make progress as rapidly as possible in the general dismantling of restrictions and discrimination affecting international trade as a whole. We have welcomed these assurances without which it would be very difficult to envisage the continuing effectiveness of the worldwide postwar agreements which provide for the strengthening and expansion of multilateral trade. Within this context we are concerned at the prospect of the proposed treaty containing provisions, with respect to quotas restrictions and discrimination, which seem designed to take priority within their scope over the relevant provisions of the General Agreement on Tariffs and Trade. Even though we have not yet seen the proposed provisions in their entirety we feel it incumbent upon us to express our views while there is still time because non-member countries will be greatly affected by the terms of the treaty in these matters.

6. The increase in the degree of discrimination against outside imports involved in the complete removal of existing quantitative restrictions on common market trade, even though progress in the removal of restrictions against other countries were less rapid, would not necessarily be opposed by the Canadian Government. However, the impression we have gained is that the treaty provides in effect that if any member of the Common Market finds it necessary in the future to reimpose restrictions these will almost inevitably be discriminatory in character as it would only be as a last resort, and by virtue of special dispensation of the Common Market itself that restrictions of a non-discriminatory character could be imposed.

7. The Canadian government would have great difficulty in supporting arrangements which, in their effect, deprive members of the Common Market of the right provided in GATT to take appropriate measures in their own defence in the face of overall balance of payments difficulties and which would also impair their ability to eliminate quotas against the outside world. Nor would we consider it appropriate that the judgment of what measures in this field were justifiable should be exercised not by GATT but by the institutions of the Common Market. The provisions of GATT do not, in our judgment, entail that the fact of membership in a Common Market is itself a basis for discrimination, and we should be very disturbed to see enshrined in a permanent treaty provisions whose real meaning and intent was that if members of the Common Market ever had to reimpose quantitative restrictions they would, in principle, avoid adopting a non-discriminatory approach. (It goes without saying of course that if the Customs Union should eventually develop into an economic union with a common balance of payments with the rest of the world an entirely different situation would prevail and this would merit reexamination in those circumstances). We also find it disturbing to learn that the treaty may encourage the establishment of a common list of liberalized products. Since such a list would unavoidably reflect the needs of the countries in the weakest balance of payments position, and would be contrary to the principles of the GATT, we have consistently opposed such an approach in the OEEC.

Agriculture

8. We would be quite prepared to see agricultural products included fully in the Customs Union arrangements with all of the advantages attendant upon this for the flexibility, prosperity and productivity of European agriculture. We would equally be prepared to recognize that the problems of including agricultural trade on an acceptable and defensible basis might prove to be so difficult as to lead to its exclusion during the early years. We do not as yet know in any detail what provision is envisaged for trade in agricultural products. There are indications, however, that exceptional arrangements are being considered that would seem to provide for very effective protection against imports of agricultural products from the outside world, without being consistent with the general objectives of the Customs Union within the Common Market. The contracting parties to the GATT have recognized the special difficulties inherent in the liberalization of the trade in agricultural products and have made appropriate provision to meet these difficulties in the so-called "hard-core" waiver decision and in the Belgian waiver. Arrangements which would be more restrictive or of longer duration than is contemplated in these GATT decisions would give rise to considerable concern.

9. We would expect that many of the above views may be shared by other non-member countries, who may nevertheless sympathize, as we do, with the difficulties facing the participating countries in setting up the Customs Union. The Canadian Government would therefore hope that these views will be taken seriously into consideration in the final drafting of the treaty. The Canadian Government considers that a real Customs Union, if successfully implemented, will enable the six countries to play their part even more effectively in a multilateral trading world. Such a Customs Union can make a vital contribution not only to the economic strength and prosperity but also to the political solidarity and common purpose of the peoples of Western Europe. As the Prime Minister said in his statement of November 13, this outcome could not fail to be welcomed by Canadians whose security, and cultural and political heritage, as well as economic welfare, have been, and are, so closely linked with that part of the world.

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376. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Belgique

Secretary of State for External Affairs
to Ambassador in Belgium

TELEGRAM E-150 Ottawa, January 29, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: My telegrams 136 and 137 January 25.
Repeat (Information) Paris, The Hague, London, Rome, Bonn (Immediate); NATO, Permis New York, Washington (Important).

EUROPEAN COMMON MARKET

In my telegram 137 January 25 I sent you the text of a proposed note to the Six Governments concerned in the common market negotiations. Please amend that text in accordance with the alterations set out below, then consult your US colleague and if he has already delivered his note please deliver the amended text as a matter of urgency to Spaak. Please explain that this message is not intended to be made public.

2. For your own info the note was prepared in full interdepartmental consultation and has the approval of the ministers concerned.

3. Following are the amendments to be made to the text contained in my telegram E-137:

(a) Second paragraph, second sentence should read "We welcomed this assurance; but as we have learned more about the terms of the proposed treaty and the intentions of the six countries it has appeared to us that there may be significant differences of interpretation of some of these principles between the Six and ourselves".

(b) Sixth paragraph should read:

Canada has not objected to the programme of trade liberalization within OEEC accompanied as it has been by progressive action on the part of the individual members to dismantle restrictions against outside countries. However, the impression we have gained is that the Common Market Treaty provides in effect that if any member finds it necessary in the future to reimpose restrictions these will almost inevitably be discriminatory in character as it would only be as a last resort, and by virtue of special dispensation of the Common Market itself that restrictions of a non-discriminatory character could be imposed.

(c) Seventh paragraph. Third sentence should be replaced by following two sentences:

"The provisions of GATT and subsequent decisions made by the contracting parties to GATT do not, in our judgment, recognize the fact of membership in a Customs Union as justification for the discriminatory application of restrictions to safeguard the balance of payments. We should be very disturbed to see enshrined in a permanent treaty provisions whose real meaning and intent was that if members of the Common Market ever had to reimpose quantitative restrictions they would, in principle, avoid adopting a non-discriminatory approach.

(d) Eighth paragraph. Add this sentence at end of paragraph: "In particular the Canadian Government would be most concerned if the régime of agricultural trade involved exclusive marketing agreements or discriminatory state trading."

(e) Ninth paragraph. First sentence should read: "We would expect that many of the above views may be shared by other non-member countries, who may nevertheless sympathize, as we do, with the difficulties facing the participating countries in drawing up a satisfactory and acceptable Customs Union Treaty within a limited time."

Embassy Paris, Hague, Bonn, Rome:
Please deliver notes in same terms to governments to which you are accredited.

London: Please inform UK Government of this action and give them text of revised message.

Washington: Please inform State Department.

JULES LÉGER

377. DEA/12447-40

L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures

Ambassador in Belgium
to Secretary of State for External Affairs

TELEGRAM 26 Brussels, February 1, 1957

SECRET. IMMEDIATE.
Reference: Ottawa's telegram 150 January 29.
Repeat Paris, NATO Paris, Hague, London (Information).
Repeat Washington, Permis New York from Ottawa.
By Bag Rome, Bonn from London.

EUROPEAN COMMON MARKET

This morning I delivered to Spaak an aide-mémoire incorporating your suggested text as revised by telegram E-150. The USA Ambassador made a similar démarche yesterday evening and I am forwarding by today's bag a copy of his aide-mémoire.

2. As I expected Spaak was aware of three major items which are disturbing us. Insofar as the level of external tariffs and the use of QRs is concerned Spaak felt that we had little to worry about and that we would be reassured if we could see the complete text of the treaty. He appreciated however that we might have some cause for concern about the treatment of agriculture. While minimum prices and long-term contracts are to be established in the Community, in Spaak's view protection for third countries should be afforded by a provision that long-term contracts must recognize existing patterns of trade.

3. Spaak asked whether we would agree to our note being considered in the Brussels Committee. Presumably the USA had not agreed to this suggestion because I suspect they have delivered somewhat different notes in each of the capitals. I agreed to Spaak's suggestion since I considered it the most effective way of ensuring that our concerns were brought to the attention of the drafters of the treaty. Accordingly Spaak will ask Heads of Delegations to consider our note at this afternoon's meeting and we will receive a reply in the near future.

4. I have also asked the Luxembourg Embassy here to convey a copy of the aide-mémoire to M. Bech.

5. In a subsequent telegram† I will outline in more detail the supplementary info which has come to our attention concerning those items of the treaty which are of particular interest to us.

[C.P.] HÉBERT

378. DEA/12447-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 176 Paris, February 2, 1957

CONFIDENTIAL

Reference: Our telegram 168 February 1.†
Repeat London, Washington, Brussels, Hague, Paris (Information).
By Bag Rome, Bonn from London.

OEEC MINISTERIAL MEETING — FREE TRADE AREA

OEEC Heads of Delegation held a meeting on February 1 to discuss further the method of handling the Free Trade Area item on the ministerial agenda. Discussion in fact centred around the "Heads of Agreement" suggested by Sir Hugh Ellis-Rees, which were sent to you in our telegram under reference. Item (b) of the Heads of Agreement led to an immediate discussion of substance, since it was clear that several delegations, in the absence of agreement on agriculture and on the problem of the under-developed countries, were unwilling to give prior agreement to the proposal that ministers should "give general approval to the objective of creating a European Free Trade Area".

2. The Swedish delegate opened discussion of the problem by proposing what he called a simplified version of the Heads of Agreement which omitted clause (b). He gave the following as reasons:

(1) The UNISCAN negotiations were proceeding and were to include Finland. The Swedish Minister would be going direct from Paris to Helsinki and it might have an undesirable effect upon the Finnish attitudes if the Swedes appeared to present them so bluntly with a "fait accompli".

(2) His government did not like the idea of a prior approval in principle before the practical implications had been worked out in negotiation.

(3) His government, before agreeing to accept in principle the creation of the Free Trade Area as an objective, would like to know more about the arrangements contemplated for agriculture.

3. The Danish Delegate also spoke to the point about agriculture and said that in the absence of a solution, he was not in a position to accept in principle at once. His further remarks, however, suggested that the Danes may not be adamant on this subject. He said that it would be helpful if any decision taken by ministers did not rule out a parallel examination of agricultural problems and that any decision taken should recognize that the goal was non-discriminatory trade in agricultural products.

4. The issue of agriculture also arose on January 31 at the meeting of the deputies with the ministers of agriculture. They adopted a decision indicating that, if the Ministerial Council should decide to pursue the study of the problem of agriculture in connection with the work towards the creation of a Free Trade Area the Committee of Ministers of Agriculture or the agricultural deputies should be given the mandate to make this study in liaison with the bodies of the organization to which the Council might entrust the work on the creation of a Free Trade Area. As it is worded, this decision is probably quite acceptable,

and most of the debate in the Agricultural Deputies Committee arose from a wish to make sure that the Agricultural Directorate, which considers itself rather the Cinderella of the OEEC, should not be overlooked in discussions on this subject. The only intervention of substance came from the French delegate, who suggested that the agricultural arrangements in Brussels would fall short of a Customs Union as defined in GATT and that any arrangements for agriculture in the Free Trade Area might fall equally short of the GATT definition. He made an appeal to delegates not to put too much importance on words, and seemed to be suggesting that the door to a reconciliation between the arrangements for agriculture in the Free Trade Area and in the Customs Union should not be too firmly shut. His statement would tend to support the impression given recently that the French are adopting a more positive attitude towards the Free Trade Area.

5. The other difficult question of principle which arose at the Heads of Delegation meeting, the position of the under-developed countries, was brought up by Cristides, the Greek delegate, who repeated his Cassandra-like speech about the under-developed countries which, if they were unable to assume the obligations of the Free Trade Area, could only expect to be forced out by European cooperation all together. He made no constructive suggestions, but contended himself with rhetoric. The Secretary-General and several delegates intervened to suggest that in the course of negotiation, the situation of the individual under-developed countries should be examined in the light of the obligations which it might be decided that the Free Trade Area would impose upon its members. Sergent (greatly to Christides' indignation) suggested that when the special situations of the under-developed countries were examined they might be found to be no more special than anyone else's. The Swiss delegate implied that such an examination might, if necessary, lead to the development of an individual special status for each under-developed country.

6. Sir Hugh Ellis-Rees summed up four considerations, which could not be overlooked, as follows:

(1) Reciprocity in the Free Trade Area is important, since otherwise countries would be reluctant to accept any obligations whatever.

(2) The existence of the under-developed countries is a fact and it can be argued that they must not be excluded from the Free Trade Area but should be nursed along.

(3) It may also be contended that once the Free Trade Area venture is launched, all the remaining activities of the OEEC would tend to be geared to it and countries not participating in the Free Trade Area would therefore not share fully in the benefits of the organization.

(4) It is necessary to consider world opinion and the wider obligations which some OEEC members have assumed. It has been suggested that, if the Free Trade Area were not fully reciprocal, countries external to it would feel that they were being discriminated against.

From the OEEC point of view, the basic assumption must be that the OEEC membership must be maintained. The organization is an important instrument in the consolidation of Europe, and the Free Trade Area itself had been conceived partly as a means of preventing a division between the countries of "little Europe" and the rest of the membership. He went on to say that it was important not to think of the under-developed countries as one bloc and the remaining members as another. Each special situation should be examined individually and it was to be hoped that the blueprint for the Free Trade Area would turn out to be something to which all could adhere with full reciprocity. If this proved not to be possible, it would be necessary to consider what special circumstances would in fact prevent full participation on the part of certain countries or whether the fears of third countries regarding discrimination would be justified if a special status were contemplated for some members.

7. On the general point as to whether ministers should be expected to take a decision on principle, Ockrent, the Belgian delegate, urged strongly that this was essential; otherwise their decision would be no more than a mandate to continue studies already undertaken. Sir Ellis-Rees supported this position, his argument being chiefly that the OEEC was now embarked upon one of the most important experiments in European solidarity to be undertaken since the war. There was a strong political impetus at the present time and if the great practical difficulties in the way of achievement were to be overcome, there must be an "act of faith" at the beginning. Disappointment on the part of the public now would do great harm to the future of the OEEC.

8. The trend of the discussion, as we indicated above, was to suggest that points of difficulty such as agriculture and under-developed countries would have to be worked out in the course of the future negotiations, for which ministers would provide. In this regard, Valéry expressed the view, which was strongly supported by Sir Hugh Ellis-Rees, that the practical problem was in fact to devise an effective negotiating procedure, allowing the work to proceed without prejudice to the unresolved issues. It is likely that an effort will be made before the ministerial meeting to find a form of words which would achieve this purpose.

9. Heads of Delegation are to have a further discussion on (February 5?).

[L.D.] WILGRESS

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379. DEA/12447-40

L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures

Ambassador in Belgium
to Secretary of State for External Affairs

TELEGRAM 31 Brussels, February 5, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Our telegram 26 February 1.
Repeat London, NATO Paris, Paris, Hague (Information).
Repeat Washington from Ottawa.
By Bag Bonn, Rome, Geneva from London.

EUROPEAN COMMON MARKET

In conversations with Rothschild and USA Ambassador this afternoon I learned that our aide-mémoire was made a formal conference document and discussed by the six ministers yesterday. Spaak, who was evidently quite pleased to have a concrete paper to put before the meeting, has been charged by the other ministers to prepare a reply. This reply is now being drafted by Hupperts, who will clear it with Spaak when latter returns to Paris from Washington on February 11. We might then accordingly expect a reply about February 13. A copy of the reply will also be given to the USA and will, I understand, constitute the bible for replies to other third countries who may raise similar questions.

2. From what I learned from Rothschild, our reply will contain reasonable assurances on all points except question of long-term contracts. With respect to latter, however, the reply

will probably maintain that there are certain built-in safeguards for what they are worth in the concessions which have been made in this respect to France, i.e. countries such as Belgium and The Netherlands will resist any attempt to raise unduly the price at which their import requirements of cereals, for example, will be obtainable. Presumably long-term contracts must also be reconciled with the existing patterns of trade, but in the absence of detail I am unaware of how they expect this to work. By the use of the qualified majority it would be possible for the other partners to override French objections by the end of the second stage of the interim period.

3. Spaak leaves tomorrow for Washington and it is unlikely that he will be back in Brussels before February 22. He indicated publicly at conclusion of yesterday's meeting that treaties would probably be ready for signature about March 10 and that adequate agreement had now been reached on all points except status of overseas territories.

[C.P.] HÉBERT

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380. DEA/12447-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 205 Paris, February 6, 1957

CONFIDENTIAL. IMPORTANT.

Reference: Our telegram 176 February 2.

Repeat London, Washington, Brussels, Hague, Paris (Information).

OEEC MINISTERIAL MEETING — FREE TRADE AREA

The lines of a possible compromise resolution which ministers might agree upon next week and which would enable negotiations to be initiated emerged at this morning's meeting of Heads of Delegations. The problem was to find a formula expressing a decision to seek to establish a Free Trade Area in spite of the fact that there was no agreement on such problems as agriculture and the status of less-developed countries, which some countries regard as essential pre-conditions to going ahead. At the outset the Greek Representative laid down three such pre-conditions:

(1) solution for the problem of agriculture;

(2) agreement on the need for an investment fund for development purposes;

(3) agreement that Greece be granted a long-term waiver for industrial goods.

If ministers could not agree to these conditions the only possible approach would be to take note of the report and to instruct the organization to continue its studies. He said that there was a feeling in his country that Greek interests were being neglected and warned that there was a real danger that OEEC would disintegrate. Curiously enough, the Turkish Representative remained silent throughout the debate. The Danish Representative was not nearly as adamant. He said his authorities hoped to be able to join the Free Trade Area and accordingly hoped that ministers would find a solution which would take account of the interests of agriculture exporters. The possible compromise solution was selected out by Ockrent (Belgium) and Bauer (Switzerland). Ockrent saw no reason why ultimately some system could not be devised for agricultural products which would protect the UK special

Commonwealth interests. The objective would be to find means whereby the exporters of agricultural products in Europe could be given equivalent advantages to those which the Free Trade Area would provide for the industrial producers. Bauer suggested that whatever words might be used, what was intended and necessary was that a special status be worked out for agricultural products. If ministers were agreed that an effort should be made to find a suitable solution for the special problems of agriculture, then there was no reason why any country should block the start of negotiations. He accordingly suggested that in the course of the debate ministers should agree on the need to establish a Free Trade Area and at the same time record formally the conditions which they regarded as fundamental. The ministerial resolution would establish a negotiating body on the Free Trade Area and another one to study simultaneously the possibility of a special status for agriculture in close relation to the Free Trade Area. Both would ultimately report to the Ministerial Council which would then be in a position to make a final decision. Valéry of France supported this approach and strongly stressed the necessity for political reasons of taking a clear and bold decision setting negotiations on their way. He said there was also great danger for the future of OEEC if no decision was taken. The French, he pointed out, regarded harmonization and social charges as a pre-condition to ultimate signature. At the same time they were quite prepared to enter into negotiations and strongly hoped that a Free Trade Area would be established. The Austrian Representative expressed support in principle for the inclusion of agriculture and also supported the Swiss proposal. The Norwegian Representative likewise supported this approach and expressed the strong interest of his country in the Free Trade Area objectives. Summing up, Sir Hugh elaborated on the Swiss proposal and indicated that a third body or working group might be established to study the special problems of countries such as Greece which could not envisage accepting the full obligations of the Free Trade Area. He expressed his hope that the Ministerial Council would make the necessary act of faith and warned that failure could be disastrous for the OEEC. He added that if this occurred countries which were prepared to go ahead would then have to pursue their aims through other channels.

2. There will be no further meetings of Heads of Delegations before the ministerial meeting and no attempt will be made to draw up for ministers a tentative resolution. Heads of Delegations will simply advise their ministers on the basis of the discussions which took place. Sir Hugh mentioned in closing that the memo on the UK position which they had sent to OEEC countries would be tabled in the UK Parliament tomorrow. The agenda of the ministerial meeting will consist of the free trade area item and also of a pro forma report on developments in the field of nuclear energy.

[L.D.] WILGRESS

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381. DEA/12447-40

Déclaration du représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE à la réunion ministérielle de l'OECE, les 12 et 13 février 1957

Statement by Permanent Representative to North Atlantic Council and OEEC to OEEC Ministerial Meeting — February 12-13, 1957

Mr. Chairman,

In presenting the views of the Canadian Government on the subject before this meeting, I am fully conscious of the far-reaching importance and significance of the steps which the members of the Organization are contemplating. It is not an overstatement to affirm that this may prove to be an historic occasion.

2. Having had the privilege as an associate member to follow closely the deliberations of Working Party 17, we are also well aware of the extraordinary complexity of the problems involved in establishing a free trade area in Europe in association with the Customs Union being negotiated among the Six. I should, therefore, like to take this opportunity to extend our most sincere congratulations to the Chairman and to the members of the Working Party, as well as to the members of the OEEC Secretariat, for the very clear report they have been able to prepare within a very short period of time.

3. Certain of the issues that such a free trade area would raise have now been clearly defined and examined. The Report concludes that a European free trade area is technically feasible and suggests that a number of important problems which are common to the area and to the proposed Customs Union should be solved in an identical manner. The issues upon which I shall comment have, in some cases up to the present, been more clearly defined in the discussions regarding the Customs Union. Nevertheless, they are obviously relevant to the free trade area. It is important, I think, in considering the issues involved to bear in mind the general pattern of world trade relations as they have developed since the war.

4. During the past ten years, the countries of Europe have joined other trading nations in restoring and developing a system of multilateral trade and payments on a world-wide basis. Non-discrimination, equality of treatment and the reduction of trade barriers have been recognized as the principles best calculated to promote the economic welfare of each individual country as well as of the trading world as a whole. These efforts have been remarkably successful. Tariff levels have been significantly reduced on many thousands of items covering a large proportion of world trade. An unprecedent degree of assured tariff stability has been enjoyed. Significant progress has also been made by reducing and avoiding other barriers to trade on a world-wide basis. We in Canada have welcomed the important steps that have been taken in the removal of quantitative restrictions in many parts of the world, and particularly in the countries of Europe. The dismantling of import restrictions has been found to be of direct benefit to the individual countries themselves, and has also served to strengthen their relations with the rest of the world. Of particular importance has been the additional cohesion these policies have given to the North Atlantic Community.

5. The OEEC has dealt with a wide range of common European problems. Canada has welcomed the successive efforts made since the war, in the OEEC and elsewhere, to achieve a greater degree of European cooperation. The success in these tasks in economic spheres is partly attributable to the fact that they have been undertaken within the framework of a world-wide approach to multilateral trade and freer payments.

6. The Report of the Working Party makes specific reference to the importance of conformity with the principles of GATT and of the IMF and also states as the aim of the proposed free trade area that it should promote the objectives of multilateral trade. Should a European free trade area be decided upon, it is of great importance that the detailed arrangements should be of a character which hastens and does not impede the attainment of these objectives.

7. I turn now to some of the specific problems which are discussed in the Report of the Working Party. The industrial countries of Europe are traditionally among the most important markets for agricultural products from Canada and from other parts of the world, and it is neither in their interest nor in ours that they should isolate themselves from the most

efficient and competitive sources of supply, wherever these may be. The nature of any arrangements that may be developed in Europe in the field of agriculture will bear directly not only on the economic prosperity of Europe but also on the vital trading interests of many other areas. The Canadian Government would be quite prepared to see agricultural products included fully in the free trade area arrangements with all the advantages attendant upon this for the flexibility, prosperity and productivity of European agriculture. We recognize, however, that such inclusion on an acceptable and defensible basis may present very difficult problems and may be impossible during the early years. We would not wish agriculture included on terms which were restrictive or prejudicial to the interests of third countries or which provided for excessive protection against agricultural imports from the outside world. In particular, the establishment of the proposed economic arrangements in Europe would not, in our view, provide justification for exclusive marketing agreements which would discriminate against imports from the outside world.

8. Another of the most important questions that will face the free trade area relates to the criteria that will govern the use of import restrictions and the discriminatory application of such restrictions. The fact that quantitative restrictions have harmful effects on the countries imposing them as well as on their trading partners has been generally recognized in post-war international agreements. We would regard it as most important that the free trade area arrangements should not include provisions which would make it more difficult for individual members to continue to remove restrictions against the rest of the world as their individual circumstances permit.

9. It is, of course, not impossible that balance of payments difficulties might again arise. It is important that there should be no provisions or policies which would lead a country in such difficulties to reimpose quantitative restrictions on a discriminatory basis. In our judgment, the fact of membership in a free trade area is not in itself justification for the discriminatory application of quantitative restrictions.

10. The removal of tariffs within the area is dealt with in paragraphs 19 to 23 of the Report. As an outside country, we would regard it as important that the arrangements should clearly provide for the elimination of internal tariffs within a reasonable transitional period. We note that the method suggested by the Working Party is fairly flexible. Considering this flexibility, and the very gradual nature of the programme of tariff elimination, we have difficulty in recognizing the special need for escape clauses envisaged in Annex III to protect specific industries which may encounter serious difficulty as a result of increasing competition. It would appear to us that the programme contemplated by the Working Party would itself provide ample scope for making, without unnecessary hardship, the kind of adjustments which, after all, the free trade area is designed to bring about.

11. The Working Party has devoted a good deal of thought to the question of the definition of origin of goods for the purposes of the free trade area. Many difficult technical problems are involved. These will have to be examined in detail with a view to ensuring that fair and equitable treatment is accorded to the trade of all concerned including outside countries.

12. With regard to the problem of the less-developed countries, we are fully conscious of the very real difficulties which may be involved for these countries and share the view that their individual situations and problems should receive careful and thorough examination. Member countries will likewise appreciate that the decisions which will ultimately be taken in this field will inevitably be of concern to outside countries.

13. Mr. Chairman, if I have dwelt in my remarks on the points which could give rise to difficulties, as well as indicating our sympathy and support for your objectives, it is

because we believe that it is in this way that we can most usefully contribute to your deliberations. We would expect our views to be shared substantially by other non-participating countries. While we have welcomed and supported this initiative, we cannot, of course, be indifferent to the form the proposals ultimately may take. We endorse Mr. Hollister's statement that the directives emerging from this meeting should take fully into account the interests of the other countries of the free world.

14. Last November, the Canadian Prime Minister, Mr. St. Laurent, issued a public statement in which he expressed the views of the Canadian Government. He indicated broadly the effects which might be expected as regards Canada's foreign trade and the objectives which, in the Canadian view, any free trade area arrangements ought to fulfil. In particular, he stressed the importance which Canada would attach to the full implementation of such a plan since a partial development might result only in the creation of a regional system of preferences, without achieving the positive results expected of it. Mr. St. Laurent also said that if such a plan were adopted and successfully carried through, it should increase the economic strength and prosperity of the peoples of Western Europe and also their sense of solidarity and common purpose even beyond the economic field. He indicated that such a result could not fail to be welcomed by Canadians whose cultural, political and security interests, as well as economic welfare, have been and are so closely linked with that part of the world. In the same sympathetic spirit, we shall continue to follow with great interest the further discussions and negotiations and no doubt will have further occasion to make our views known.

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382. DEA/12447-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs

TELEGRAM 261 Paris, February 15, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Our telegram 250 February 15.†
Repeat London, Washington, Paris, Brussels, Hague (Information).
By Bag From London, Bonn, Rome, Geneva.

OEEC MINISTERIAL COUNCIL ON FREE TRADE AREA

The essential issues before the meeting were agriculture and the status of the less developed countries. Because of the sharp division on these two questions, the technical and commercial problems involved in the establishment of a free trade area, though mentioned, tended to remain in the background. In this telegram we will try to review country positions on the two main issues. The UK stood essentially alone on both. Thorneycroft, at the outset, adopted a conciliatory attitude and expressed willingness to study the special problems of all countries. However, Sir David Eckles indicated in his statement that the UK goal was to set in motion negotiations for an industrial free trade area though parallel studies might be carried out on the other issues. The underdeveloped countries were led by the Greeks, who adopted at the outset a completely unyielding attitude and laid down three conditions: inclusion of agriculture; establishment of an investment fund; and thirdly, a waiver on tariff obligations. In the absence of an agreement of principle on these three points, they could not accept the decision to open negotiations. For each of the less developed countries, the inclusion of agriculture was considered essential. The Turks were however considerably less outspoken. The Portuguese were also forthcoming and less inclined to argue over drafting nuances. Their main concern seemed to be to ensure that they would have a full voice at all the stages of the negotiations. In the end, they registered a general reserve with regard to the resolution adopted. The Irish attitude was somewhat of a surprise in that it showed considerably more interest in the free trade area than had been expected. The Irish Representative gave passing support to the idea of an investment fund and ended by proposing the creation of three working parties one of which would study the industrial free trade area. His proposal seemed to be in line with the compromise solution the UK was hoping for. The Icelandic Representative was generally uninterested.

2. For the Scandinavians, agriculture was the central issue in view of the Danish interest. The Danes, after a moderate opening statement stiffened their attitude, drawing on the Greek example and had equal success in influencing the final resolution. They received rather lukewarm support from the Swedes. Norway stood more or less alone concentrating on the problems of a free trade area and on the economic conditions required for its success, i.e., prevailing atmosphere of expansion, accumulation of capital, increased credit facilities. Regarding agriculture, the Norwegians favoured limiting special arrangements to a defined list of products.

3. The attitude of the Six was somewhat ambiguous. Spaak acting as their spokesman emphasized that the free trade area should be a form of association with the Common Market, inferring that the six would be negotiating as members of the Common Market rather than as individual countries. This interpretation seemed to be resented by the Germans. The six supported inclusion of agriculture and full OEEC membership, but at the same time gave some backing to the UK. Thus it was Spaak who proposed that Thorneycroft should be given wide discretionary power to organize the negotiations. The Netherlands were very subdued and did not participate in the general debate. The Swiss and Austrians, who do not belong to any grouping were generally moderate. The Swiss supported inclusion of agriculture on a basis guaranteeing reciprocity of treatment and favoured a plan limited to trade and commercial matters which should take account of the interests of outside countries. At the same time they were for full OEEC membership and a detailed study of the problem of agriculture. The Austrians expressed strong support for the initiative and generally favoured the inclusion of agriculture and full OEEC membership as well as the establishment of an investment fund.

4. The USA and Canadian attitudes were not relevant to the final voting but nevertheless were attentively observed. In general the two statements were taken as an endorsement of the proposal, in spite of the reservations they contained. The references to GATT and to associated countries which were proposed by Canada and the USA were adopted without opposition in the final resolution. The effect of these differing country attitudes on the outcome of the meeting is described in a separate telegram.† They reveal a fairly complete isolation on the part of the UK, save for the qualified political support of the Six and to a lesser extent the Scandinavians.

[L.D.] WILGRESS

383. DEA/12447-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 279 Paris, February 19, 1957

CONFIDENTIAL. IMPORTANT.

Reference: Our telegrams 250 and 261 February 15.
Repeat London, Washington, Brussels, Hague, Bonn, Paris (Information).
By Bag Rome, Geneva from London.

OEEC MINISTERIAL MEETING ON THE FREE TRADE AREA

The ministerial meeting which took place on February 12 and 13 presented this peculiarity that the general statements which occupied the first part of the second day concerned only in an indirect way the real issue which had to be resolved: how to secure unanimous agreement to start negotiations on a free trade area in spite of the fundamental disagreement which existed between the UK on the one hand, and to a varying extent, all other member countries, on the questions of agriculture and of membership of less developed countries. This procedural issue was worked out in a Working Party which attempted to draw up a compromise resolution and ultimately in the Council itself before an acceptable solution could be found.

2. In our telegram 250 we quoted and explained briefly the terms of the resolution which was adopted and in telegram 261 we summarized the country positions on the problems of agriculture and less developed countries. In this telegram we will attempt to analyse the nature of the compromise which was reached and to draw some tentative conclusions. The general statements dealt for the most part with the substantive issues raised in the report of Working Party 17. We are sending you by bag the text of the principal statements made at the meeting, drawing attention in a covering letter† to points which seemed of particular interest at this stage. For the most part the positions adopted followed closely those taken in the Working Party which were previously reported to you.

3. The struggle at the meeting centred around the attempt of the UK to maintain a sharp distinction between the undertaking to enter into negotiations for an industrial free trade area, and an agreement to examine the special situations with regard to agriculture and to less developed countries. The original draft resolution proposed that these should be dealt with by three different working parties. One was to be the body in which the negotiations for a free trade area should be conducted and the necessary instruments prepared. The second was to examine "How an expansion of trade in agricultural products between all members may be achieved and to make proposals to this end". The third was to "Consider the special needs of the less-developed member countries and to make proposals regarding the ways in which these could be met and the manner in which such member countries could take part in a further move to reduce trade barriers in Europe". You will note that these mandates were so phrased as to avoid any implication that the special arrangements for agriculture and the underdeveloped countries were necessarily to be a part of the free trade area agreement.

4. It proved impossible to have this approach accepted. On agriculture the UK found itself completely isolated as the Scandinavians led by the Danes, the Six led by France and

the less-developed countries led by Greece all pressed for inclusion of agriculture in the free trade area negotiations. As regards the problem of less-developed countries, the Greeks were adamant in demanding that negotiations should be conducted with a view to finding means of enabling them to participate in the free trade area from the outset. They were supported by the Portuguese and, if less vigorously, by the Turks. The approach favoured by these countries was the setting up of a single negotiating body with working groups established on specific problems as needed.

5. In these circumstances the solution could only be found in a resolution which left the procedural questions open and entrusted to some coordinating authority the responsibility of organizing the negotiations in an appropriate manner taking full account of the views expressed at the meeting. It was Spaak who proposed a solution along these lines and suggested that Thorneycroft, as Chairman of the Council, should be given the central coordinating authority.

6. The failure to delimit precisely the scope of the discussions which will take place on agriculture and on the special situation of less-developed countries may tend to work out to the advantage of the majority. Thorneycroft will inevitably be under very strong pressure from the Greeks and the Danes and it may be difficult for him to establish his impartiality without yielding some ground. It will require extraordinary skill on his part to prevent the two unresolved issues from blocking negotiations on the free trade area or alternatively from spoiling the integrity of the plans for the free trade are as envisaged by the UK. In conversations we have had with the UK delegation since the meeting we were told that Thorneycroft was confident that three working parties as originally envisaged would be established.

7. A factor which emerged from the discussions at the meeting may be worth nothing; that is the effect of the unanimity rule which prevails in all OEEC governing bodies. This gave the Greeks, or any other country, a veto power over the final decision, thus weakening the UK bargaining position. This fact will be relevant to the forthcoming negotiations as well. If these negotiations were carried out outside the OEEC framework the fear of being left out might exert a restraining influence on the less-developed countries. In view of the importance attached by the UK to the OEEC as a focal point of European co-operation and of Thorneycroft's position in the negotiations, it is difficult to see the UK making use of the threat to "go it alone" with the Six. It is well to remember, however, that on many of the issues involved in the creation of a free trade area the UK can expect some strong support from the Scandinavians, the Germans, the Benelux countries and the Swiss.

8. The appointment of Thorneycroft as co-ordinator of the negotiations is in itself a fact of some considerable political importance and will give the UK an even greater stake than before in ensuring that negotiations will succeed. It underlines formally and publicly the decisive turn which UK policy has taken in respect of European integration. In this regard, the speeches made by Thorneycroft and Sir David Eccles at the beginning of the meetings created a profound impression. Mr. Spaak's proposal reflected both the importance which the Six attach to the UK participation as well as his own belief that a strong "political personality" is needed at the helm. In the extraordinarily difficult negotiations which are about to open, the political fact that the changed UK attitude offers what is perhaps a unique opportunity will be an important asset to strengthen the hand of the UK Chancellor of the Exchequer.

[L.D.] WILGRESS

384. DEA/12447-40

L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures

Ambassador in Belgium
to Secretary of State for External Affairs

TELEGRAM 36 Brussels, February 22, 1957

CONFIDENTIAL

Repeat London, NATO Paris, Paris, Bonn, Hague (Information).
Repeat Washington from Ottawa.
By Bag Rome, Geneva from London.

COMMON MARKET TREATY

This afternoon we learned the following in a meeting with Hupperts, who had just returned from the Paris meetings.

2. It now appears that we will not receive a detailed written reply to our aide-mémoire as we had previously been told. According to Hupperts, the Messina powers are reluctant to "weaken their position for the GATT discussions" by committing themselves to piecemeal expressions of view at this time. He reaffirmed that they considered GATT to be the appropriate forum to discuss the treaty and that it would be available for discussion in GATT between signature and ratification. In Hupperts' view a useful discussion cannot be held until third countries have had an opportunity to study the final texts of the treaties which he hoped would be available to us within a fortnight. He said he did not know whether it was still the intention that someone should go to Canada and the USA to discuss the treaties before discussion in GATT. You will recall that we reported this possibility to you in our telegram 23 January 29.† We told Hupperts that while we had had no official reaction, it was our own view that a visit to Ottawa might be helpful in clarifying some of the issues before the GATT discussions and might possibly lead to a greater sense of confidence on our part about the motives of the Messina powers.

3. While we gathered that the Six had not yet taken a firm decision about the position they will adopt in GATT, we got the impression that they would insist that the treaty was in conformity with GATT and that a waiver was not required even for the treatment of agriculture. In the latter respect Hupperts acknowledged that the long-term contracts now envisaged would be of substantial concern to us and could scarcely be justified in GATT. On the other hand he made the point which has been reported to you before, that the rules for the treatment of agriculture at the end of the transition period could be determined by a majority vote in the Council of Ministers and thus France could presumably be overruled. We gained the impression, although there is little evidence in this direction, that the Belgians are pinning their hopes to the possibility that changes and reforms can be brought about in France within the transition period to enable the latter to enter fully into a true Customs Union.

4. Hupperts explained that the Belgians for obvious reasons were anxious to avoid a split in GATT but they would be prepared to fight if this was necessary.

5. On the basis of our meeting with Hupperts it may not be unreasonable to assume that quite serious difficulties lie ahead in GATT. I am seeing Spaak tomorrow morning at eleven and following this interview we may be in a better position to comment on the

intentions of the Messina powers. I understand that the treaties are now likely to be signed in Rome on March 14.

[C.P.] HÉBERT

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385. DEA/12447-40

L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures

Ambassador in Belgium
to Secretary of State for External Affairs

TELEGRAM 39 Brussels, February 25, 1957

CONFIDENTIAL

Repeat London, NATO Paris, Paris, Bonn, Hague (Information).
Repeat Washington from Ottawa.
By Bag Rome, Geneva from London.

CONVERSATION WITH SPAAK — INTEGRATION TREATIES

When I saw Spaak last Saturday I informed him that reports which had come to our attention concerning the final negotiations in Paris were not likely to dispel the Canadian fears which had prompted the aide-mémoire left with him on February 1st. I reminded him particularly of our concern over future discussions in GATT.

2. Spaak told me that conclusion and ratification of the treaties would represent a tremendous step for Europe. Politically and economically the impact on Europe might equal that of the French revolution. Once the community is set up, its influence, both political and economic, will be so powerful that other European countries by virtue of their own interests will be forced to seek some form of association with it.

3. According to Spaak, the effects of the treaty on trade in particular commodities could be measured only after the transition period, as the volume and nature of internal demand within the Community is bound to change over fifteen years. During this time of course there would be constant need to balance pressures from within the Community. He emphasized however that most of the countries were serious about protecting existing patterns of trade. By the latter he meant trade both ways. Belgium for one realizes that if the Community's policies were to provoke commercial retaliation from third countries, the Belgian economy might suffer disastrously. There is no thought that they could prosper on trade within the Community alone.

4. Although this point had not emerged clearly from our own understanding of the Common Market Treaty, Spaak emphasized that the levels which are now being established for the common external tariff would be attained progressively over the transition period at the same pace at which internal barriers were being reduced. According to Spaak, the figures for common external tariffs now being agreed were maximum levels which might not necessarily ever become effective.

5. Spaak undertook to provide me with a memorandum prepared for the Belgian Cabinet setting out the aims and objectives of the treaty. This should be available within the next day or so and, depending on its length, we shall cable you its contents or a summary.

6. I also mentioned that it would be useful, once our authorities had an opportunity to study the texts, if Hupperts could visit Ottawa, as suggested by Spaak earlier this month.

Spaak now thought he might be able to send Hupperts to Washington and Ottawa sometime after March 15. I appreciate that we are anxious that any preliminary talks should not prejudice the position which we will take in GATT but I have assumed that you would consider it useful to have one of the key officials responsible for the drafting of the texts provide supplementary explanations about the treaties prior to GATT.

7. Spaak put great emphasis on the significance of the proposal for association with overseas territories. In his view, Europe was now moving to fill a gap in the financing of the development of many of the under-developed countries of Africa. It could be no less significant than the decision of the USA to embark on its point-four programme. At least as far as Africa is concerned, it would appear that the Messina powers have succeeded in finding a way of mobilizing German capital for use in the under-developed countries without raising the special political problems inherent in bringing Germany into SUNFED or any of the UN-sponsored programmes.

[C.P.] HÉBERT

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386. DEA/50377-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

SECRET [Ottawa], March 22, 1957

WESTERN EUROPE AND THE UNITED STATES: A STUDY OF ATTITUDES

The great debate of the past few weeks about the proposed reduction of United Kingdom forces on the Continent[35] has been so absorbing that we may perhaps be neglecting another fundamental aspect of the European picture which could also have serious implications for the future of the Western alliance. In spite of all the concern which has been expressed about weakening the shield, particularly in official circles in Western capitals, I think it is nevertheless a fact that public opinion in Western Europe is generally persuaded that there is very little risk of a major war at the present time. It is popularly assumed that even if fighting were to break out again in the Middle East or elsewhere around the periphery, it is very unlikely to involve Western Europe and NATO.

2. Insofar as this point of view is thought out logically, it could be said that if neither Suez nor Hungary led to a direct clash between the major protagonists, then it seems clear that both sides are determined to avoid their mutual destruction.

3. It follows from this — and the French Press in particular has drawn these conclusions explicitly — that Western Europe has less immediate need of NATO. It must be there, just in case, as a final back stop. But as they see it, the United States no longer regards the North Atlantic alliance as its primary instrument of policy; it acts as though NATO were now regarded as merely one among several military alliances, as Mr. Dulles unfortunately pointed out all too clearly in Paris last December. This is seen in the increasing emphasis in American policy on the United Nations and on anti-colonial themes better adapted, perhaps, to the requirements of competitive co-existence in the uncommitted areas of the Middle East, Asia and Africa. Both from our missions and from Western European diplo-

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[35] Voir volume 22, les documents 585 à 600./See Volume 22, Documents 585 – 600.

mats in Ottawa, we keep getting reports that the Western Europeans have begun to conclude that the United States does not intend to return to the kind of relationship which it had with its NATO partners before Suez. This is more, they believe due to the new turn of American policy in recent months than to any merely temporary shift intended to teach Paris and London a lesson by putting them in the dog house. Although the Mollet visit to Washington and the Bermuda talks may help to restore personal relations and mutual confidences, the fact that neither side of the Atlantic now seems to live under any imminent threat of Soviet attack has tended to reduce the weight given by the countries on both sides of the Atlantic to the North Atlantic Alliance.

4. I think this perspective makes it easier for us to understand why the Western Europeans are seeking for means of closer collaboration among themselves in all spheres. We see this in the approaching signature of the Common Market and Euratom Treaties, as well as in the efforts which are being made to strengthen the Western European Union. It even emerges, I think, as one of the United Kingdom's assumptions of a trend which they would like to offset by their "Grand Design" intended to place Western European cooperation more authentically within a North Atlantic framework.

5. These divisive trends have been discernible for some time and Suez merely accelerated the process. In a large part they stem, in our opinion, from the failure of United States policy to take a more positive lead in developing the non-military side of NATO. If Washington could not move as rapidly towards economic cooperation and real political consultation as some of the Western European members of the Alliance, the alternative was for those who were prepared to go faster, to go it by themselves.

6. Suez gave an emotional barb to the logical point. As M. Armand said recently of the Euratom and Common Market Treaties, Western Europe should commemorate their signature by erecting "A statue to Colonel Nasser decorated with a little medal from President Eisenhower".

7. To disentangle the strands of the United States' attitude to Western Europe is even more difficult than to sort out the attitude of the Europeans towards the United States. On the surface it would appear as if the United States' Administration were much more wholehearted in their support of European integration, for example, than either the United Kingdom or Canadian Governments. This does not necessarily mean, however, that the United States is closer to Europe than Canada. In fact it has been consistent United States policy to get Europe on its feet so that it would not be on Washington's neck. In this sense United States' objectives in Europe have always been limited. Marshall aid, NATO, and now the strong political support which the United States Government has given the Common Market and Euratom ventures, show that the United States wish to help the Europeans to help themselves. For at the point at which Western Europe becomes relatively a viable and independent economic and political area, there would be less burden for the United States to carry in support of Western Europe. It is assumed, in other words, that the military dependence of Western Europe will continue, but that in the non-military field it would probably be preferable for the Western Europeans to have a stronger and more independent life of their own. This reading of events is no doubt an over-simplification. It is an interpretation seen through European eyes and we need not agree with it; but it does, I think, effect the basic attitudes of each side of the Atlantic towards the other.

8. And what of the USSR? Soviet leaders have consistently held to one principal objective of their postwar policy in Europe — to get the United States off the Continent. They felt that this would break up NATO, and would leave Western Europe economically weak, politically divided and psychologically demoralized. They have until recently done

remarkably little to counter the emergence of a Western European Customs Union and Euratom, partly, perhaps, because they calculated that these European tendencies would feed on anti-American sentiments, but perhaps even more, because they did not think that Western European integration could happen. Now that they see the prospect of having the worst of both worlds, from their point of view — European integration still linked firmly with North America — they have begun to try very hard to stop the signature and ratification of the Common Market and Euratom Treaties. Their notes to the Western European countries which were published last Sunday are an indication of their concern. For they no doubt realize that not only would increasing strength in Western Europe within an Atlantic framework be an important gain for the West, but they fear the pull of a prosperous and self-respecting Western Europe upon their own shaky position in Eastern Europe. And though a rational analysis might indicate the advantages they might derive from coming to terms on German reunification and European security, involving at least a withdrawal from Eastern Germany, they cannot face the political consequences for Marxism-Leninism of admitting the failure of a full-fledged communist experiment which collapsed, against all the rules, from popular opposition.

9. I feel we have yet to try to digest these developments in the Department in terms of Canadian interest and Canadian policy. Is it automatically concluded that, because the United States is encouraging the Europeans to integrate on their own, Canada should also keep its distance from these emerging institutions which are likely to be increasingly important? Only this week, for example, the Italian Ambassador has asked us — of course on a personal basis — whether Canada could not consider joining the Western European Union as a full member. There have also been a few suggestions, chiefly from within the Department, that there would be at least political advantages for Canada in being associated, in some specially hand-tailored way, with the Free Trade Area; a number of the Western European countries are likely to be given special terms for their association.

10. Without going more deeply into these questions at present, the problem for Canada could be put in general terms: is it not once again in the Canadian interest to have a closer relationship with Western Europe than has the United States?[36] As Mr. Fenoaltea said to us this week, it has always been Canada's role to draw the United States back to Europe. We may not quite subscribe to this definition, but we may be coming to the point where we need not automatically restrict our possibilities to what the United States decides is appropriate for its own interests.

11. I realize that we have not really worked our own way through to the core of the problem, but I thought I should try to give you before Bermuda, some of our reflections on these problems which extend beyond the immediate issue of United Kingdom troop reductions[37] and, in another context, are bound to colour the attitude we adopt towards such developments as the Common Market, European integration, and "the Grand Design".

J. L[ÉGER]

P.S.- The only concrete proposal which I would like to submit to you at present is that we should establish our observer status in W.E.U. on a more official basis. I am not suggesting that this step follows directly from the points presented in this memorandum, but this is perhaps an appropriate context in which to raise our W.E.U. status. As you know, Canada and the United States have been asked to attend as observers the last few meetings of the W.E.U. Ministerial Council. This has been an *ad hoc* arrangement and North American representatives were not, I believe, invited to the earlier W.E.U. Council meetings. I think this is a good time, while the "Grand Design" is being discussed, for Canada and the United States to explore with the United Kingdom the possibility of becoming associated with the W.E.U. in the same way that we are associated with the O.E.E.C., so that we could have official observers at W.E.U. meetings on a regular basis.[38] If you agree, this idea might perhaps be brought forward at Bermuda. I think it is likely to appeal to the United Kingdom and probably to the other members of W.E.U., particularly if the United States is ready to take this small step with us. We shall, if you agree, sound out the State Department early next week.

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[36] Note marginale :/Marginal note:
Yes. I agree L.B. P[earson]

[37] Voir/See Volume 22, Document 735.

J. L[ÉGER]

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387. DEA/12447-40

L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures

Ambassador in Belgium
to Secretary of State for External Affairs

TELEGRAM 71 Brussels, March 28, 1957

CONFIDENTIAL. IMMEDIATE.

Repeat London, NATO Paris, Paris, Hague, Bonn, Rome, Geneva (Information).
Repeat Washington from Ottawa.

EUROPEAN COMMON MARKET

Yesterday we received a telephone call from our NATO Mission to say that a member of the USA Delegation had referred to a document in his possession which was presumably a draft reply to the Canadian aide-mémoire on the Common Market which we delivered to Spaak on February 1. At the time we told our NATO Delegation that no such draft had been made available to us and that as far as we knew it was still the intention of Spaak and the Messina powers to withhold replying to us in writing until after consideration of the Common Market Treaty at GATT.

2. We have now learned from the USA Embassy that they also have received a document containing a draft reply to the Canadian aide-mémoire. This document did not originate in Brussels and Economic Counsellor at USA Embassy was reluctant to divulge source which had provided them with the draft reply. In fact it was pointed out that it had been given to them in confidence and they were specifically asked not to let us know that it was in their possession. USA authorities have been asked to comment since points set out in draft reply would constitute main lines of defence of treaty at GATT by Messina powers. In view however of references to this document in Paris USA Embassy agreed to make a copy available to us and we hope to be able to put it on the wire to you later this afternoon.

[C.P.] HÉBERT

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[38] Note marginale :/Marginal note:
Yes L.B. P[earson]

388. DEA/12447-40

L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures

Ambassador in Belgium
to Secretary of State for External Affairs

TELEGRAM 74 Brussels, March 29, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Our telegram 71 March 28.
Repeat London, NATO Paris, Paris, Hague, Rome, Bonn, Geneva (Information).
Repeat Washington from Ottawa.

COMMON MARKET

We are quoting below an excerpt from the document referred to in paragraph 2 of our telegram 71 March 28. It would appear that the aide-mémoire which I left with Spaak on February 1 became a conference document of the Brussels Committee. It was presumably on basis of this document that the following series of questions and answers were prepared. The questions do not in all cases follow faithfully the language of our aide-mémoire but an attempt has been made to reply to each of the points we raised. USA Embassy has asked us not to reveal to Messina governments that they have made this available to us.

Text of excerpt follows:

I. TARIFFS

1. *Elimination of Duties Among Member States*

Canada: The methods which are to be employed for the final and most difficult stage in the reduction of internal duties — in the third stage of the transition period — are left open. To what extent can outside countries place confidence in a program where certain elements remain insufficiently defined?

Reply: Articles 5 and 15 (now Articles 8 and 14) of the treaty draft envisage that the total elimination of duties among the Member States will be achieved no later than the end of the (group corrupt) period, and only the rate of reduction during the third stage remains to be fixed by qualified majority of the Council of Ministers.

2. *Establishment of the Common External Tariff*

Canada: Fears that application of the rules for establishment of the external tariff can only lead to a situation in which certain duties are higher or more restrictive than the general incidence of the duties previously applied.

Reply: (a) GATT Article 24, paragraph 5A, stipulates that the duties *on the whole* shall not have higher general incidence than previously existed.

(b) Although certain individual duties will be raised above their current level others will be lowered, so that duties considered as a whole will not have a higher general incidence. The GATT requirements are thus satisfied.

(c) Article 19 (now Article 18) of the treaty stipulates that the Member States are disposed to contribute to GATT objectives through the conclusion of agreements on the basis of reciprocity and mutual advantage to reduce duties below the general level authorized in GATT Article 24.

II. QUANTITATIVE RESTRICTIONS

1. *Re-establishment of Quantitative Restrictions*

Canada: Considers that the treaty will lead to the following situation: if a Member State judges it necessary to re-introduce quantitative restrictions, it will almost inevitably apply them in discriminatory fashion to third countries, since it is only as a last resort and through special authorization of the Common Market institutions that non-discriminatory restrictions could be introduced. The result would be (a) to deprive Common Market Member States of their right under GATT to adopt all appropriate safeguards to cope with balance of payments difficulties; and (b) to affect the ability of Member States to eliminate restrictions toward third countries.

Reply: The objection is less to treaty provisions themselves than to measures that the Member States or institutions could be induced to take in the future. It is useful to recall in this regard that it is envisaged to insert in the draft treaty a provision to the effect that the rules of the treaty cannot be applied in a manner which runs counter to obligations which Member States have subscribed to in other international agreements.

The treaty provisions, and particularly those on mutual aid are designed to avoid to the maximum extent re-introduction of quantitative restrictions as a device to re-establish equilibrium in the balance of payments. Mutual aid could be invoked not only in case of balance of payments difficulties towards member countries but also with regard to the outside world.

2. *Common Liberalization Lists*

Canada: Fears the prospect of common liberalization lists since in its opinion these lists would inevitably be established at the level attained by the country in the least favourable balance-of-payments position.

Reply: (a) Under Article 62, paragraph 5, (now Article 111) of the treaty Member States agree to make their lists uniform at as high a level as possible.

(b) In Article 61, paragraph 1 (now Article 110) Member States announce their intention to contribute to the harmonious development of world commerce and to the progressive elimination of restrictions on international trade.

III. AGRICULTURE

1. The Canadian Government formulates no objection to the full inclusion of agricultural products in the Common Market and understands the necessity of envisaging the application of certain special rules during the first years after the entry into force of the treaty. [It is not clear whether this is an interpretation by the Conference Secretariat].

Reply: In principle agriculture is subject to the general rules of the treaty; in conformity with the concept of a Customs Union defined (group corrupt) Article XXIV duties and quantitative restrictions will be eliminated among the Member States and a common external tariff will be created vis-à-vis third countries.

The special rules for agriculture are for the most part limited to the transition period for example, systems of minimum prices: long term purchase or sales agreements among the Member States.

All the methods of the system envisaged have not been worked out yet; the majority will be fixed within the framework of the common agricultural policy, whose elaboration and entry into effect will take place only after the treaty has come into force. In any event the common agricultural market will be fully realized at latest at the time that the common organization of agricultural markets is created.

2. *Canada*: The treaty appears to envisage effective measures of protection against imports from third countries. Although some special difficulties inherent in liberalizing agricultural imports have been recognized by GATT, for example in the case of Belgium and certain derogations have been granted, it would be dangerous to envisage more extensive derogations.

Reply: The provisions on agriculture do not imply in any way the establishment of import restrictions on imports by the Community or by the Member States. It is possible, however that in certain cases measures might be taken in the framework of the common organization of markets with a view to regulating imports. The institutions of the Community have the right to take appropriate measures after the transitional period, but these must conform to agreements and obligations undertaken in international organizations.

3. *Canada*: It would be particularly disagreeable to find (a) that long term multilateral agreements would be concluded among Member States; (b) that discriminatory state trading would be introduced.

Reply: The conclusion of long term multilateral agreements is limited to products for which there is a national organization of the market in a Member State. The validity period of these contracts expires in any case when a common organisation of markets is introduced for the products in question – in general beginning with the second or third state or at latest at the end of the transition period. Finally, to safeguard the interests of third countries, the provisions on long term agreements explicitly include an obligation to take account of traditional commercial trade flows.

There is nowhere in the treaty an obligation to institute discriminatory state trading nor state trading of any kind. While provisions for the common organization of markets do not inhibit the institution of state trading, it will be for the Community to insure that the measures it takes are compatible with international obligations contracted by the Member States.

IV. GENERAL

Canada: Asks that the points of view expressed in its aide-mémoire be taken into account in the definitive phase of the work of the conference.

Reply: From the beginning of the negotiations the Conference has been aware of the need to avoid incompatibilities with other international agreements already in force. It is moreover envisaged that a provision will be inserted in the treaty imposing an obligation for the Community to take account of existing international conventions and agreements.

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389. DEA/12447-40

Note de la direction générale des Relations commerciales internationales du ministère du Commerce

Memorandum by International Trade Relations Branch, Department of Trade and Commerce

CONFIDENTIAL. FOR OFFICIAL USE ONLY. [Ottawa], April 9, 1957

EFFECTS ON CANADIAN TRADE

This is a preliminary appraisal based on the text of the Customs Union Treaty and Annexes

Canadian exports to the Common Market countries have increased in 1956 to over $350 million, of which three-fourths go to Germany and the Benelux countries. Germany is the largest market, absorbing about $150 million, followed by Belgium ($58 million), Netherlands ($54 million), France ($53 million) and Italy ($38 million). More than one-half of total Canadian exports is made up of agricultural goods (wheat: 33%) and about one-tenth, at present, is made up of manufactured and chemical products. The remainder of Canadian exports consists of industrial raw materials and semi-finished products.

On the basis of available information, more than 50 per cent of our exports to Europe will probably be adversely affected in varying degrees by the establishment of the proposed Customs Union. This proportion consists of manufactured goods and chemicals in general, agricultural products and even some industrial raw materials which are produced in Europe or in the associated overseas territories.

Affected Products

(1) Germany, Belgium and Netherlands are major markets for Canadian exports of manufactured and chemical products. These represent over 10 per cent of Canada's total sales to these countries and these are the very countries which will have to raise their national customs duties on practically all these imports so as to bring them in line with the common tariff. This higher level of tariff structure will entail a tariff differential in favour of European competitors which it would be practically impossible for our exporters to overcome. Canada would also be at a tariff disadvantage on the French and Italian markets, although their general tariff structures will be somewhat lower. The manufactured products affected include *chemicals in general, office machines, stoves, radio and wireless apparatus, gas engines, parts of farm implements, synthetic fibres, machinery in general*, etc. These are exports which, it had been hoped, would have increased appreciably with the further removal of import restrictions in Europe.

(2) In addition, some products, such as *aluminum* in primary forms, *lead* and *zinc, lumber, synthetic rubber*, and *wood pulp*, which also represent an important proportion of total Canadian sales to these countries, might also be affected by an increase in the general incidence of the existing tariffs. The fact that common duties on these products are to be fixed between Member States leads us to expect that these negotiations will result in higher common duties than would have been the case from the strict application of the "arithmetical rule". This special treatment appears to be designed to provide effective protection through a high common tariff to products imported from the overseas territories and to domestic industries. The Customs Union countries already purchase from the French Overseas Territories 40 per cent of their total imports of vegetable oils, 38 per cent of copper, 30 per cent of zinc and non-ferrous metals and 12 per cent of lead. Production of aluminum and iron ore in the overseas territories could be expanded substantially.

(3) Canadian sales of *agricultural and fish products* to common market countries would also be affected in varying degrees through the implementation of the existing provisions of the Treaty. These will involve increased protection through an increase of Customs duties in our major markets combined with restrictive devices, such as high minimum prices and long-term marketing arrangements with increasing quotas designed to dispose of European surpluses of agricultural products in other European importing countries. As is noted above, more than 50 per cent of total Canadian sales to the Messina countries consist of agricultural products. Wheat alone accounts for over 30 per cent, while the rest is largely made up of vegetable oils, barley, rye, oats and tobacco.

Wheat represents our largest export item to Germany, Belgium, the Netherlands and Italy, accounting for about 30 per cent of their total imports of wheat. With the exception of Belgium and the Netherlands, imports of wheat are not liberalized but the monopolistic State trading organizations in Germany and Italy have bought regularly substantial quantities of Canadian wheat. Our chief European competitors have been French exporters who continue to receive substantial financial assistance so as to gain and consolidate their foreign markets. It is also to be noted that Morocco has entered the Common Market for the first time in 1955 with sales of wheat to Germany totalling about $6 million. Although it is considered that the common tariff on wheat which is expected to be 20 per cent, would not in itself be a serious obstacle to imports of Canadian wheat into the Customs Union, this preference coupled with long-term marketing arrangements for increased quantities and at subsidized prices granted to our Customs Union competitors would, no doubt, be harmful to our sales to the Member countries. Barley and other coarse grains are also expected to be subject to long-term contracts between exporting and importing Customs Union countries. These contracts involve the revival of State monopolies in Belgium and Netherlands for the products concerned.

The extent to which other Canadian agricultural exports could be affected by the establishment of the Customs Union will largely depend on the forms of organization envisaged in the Treaty for the various agricultural products. These restrictive measures applicable to all agricultural and fisheries products are to be determined on a product basis after signature of the Treaty. *Flax seed* which is our second largest export will be admitted duty-free but may well be subject to these restrictive trade devices such as the operation of minimum prices below which imports from any country are either suspended, reduced, or prohibited unless they are sold at higher prices. This method will apparently be applicable to a large number of agricultural products.

The Italian market for *salt cod* will likely be lost to French competition (and Norway as a Free Trade Area member) as a result of a prohibitive common tariff and marketing agreements. Canadian exports of *canned salmon* will be more expensive as a result of a high common tariff of 20 per cent and, therefore, more vulnerable to substitutes. Except for Germany, the common tariff on *seeds for sowing* will represent an increase of 10 per cent. The common tariff of 30 per cent on *tobacco* will increase the protection for Italian and German producers and provide a shelter behind which the production of tobacco within the community could be expanded. Our sales at present amount to about $1 million a year.

Unaffected Products

It is expected that the competitive position of a number of Canadian exports will remain unchanged tariffwise as they are already admitted free of duty in all countries of the proposed common market. No tariff is expected to be imposed on their imports. These are asbestos, scrap iron and steel, copper, and undressed hides and skins which account for 10 per cent of our total sales to these countries.

A further group of Canadian exports to Western Europe should be unaffected or affected very little, as the incidence of the common tariff is not expected to involve a substantial diversion of trade from Canada to sources within the Common Market. Indeed, some of these may *in the long run* find an expanded market in Europe. This would stem either from a lack of basic resources in Western Europe (e.g. nickel and copper scrap) or from Western Europe's partial dependence on outside supplies for some basic commodities (e.g. steel plates with nickel content, newsprint, copper rods). In these latter cases, the incidence of the tariffs would probably not have much effect upon purchases from Canada. This group is made up of *non-ferrous metal scrap, nickel, newsprint, steel plate with nickel, copper, titanium,* and *cadmium.* They account for 10 per cent of total Canadian exports to these countries. It should be noted, however, that with the establishment of the Free Trade Area, Scandinavia will have a tariff advantage (as well as a freight advantage) in exports of newsprint to the Common Market countries, which are traditional purchasers of the Canadian product.

In summary, while the Common Market may involve in the long run an expanded demand for Canadian exports of most industrial raw materials, a substantial diversion of trade from Canada to the partner countries is expected to take place in the field of manufactured goods and chemicals, agricultural and fisheries products and some industrial raw materials, which now account for well over 50 per cent of total Canadian sales to the Common Market countries.

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390. PCO

Note du ministre du Commerce,
du secrétaire d'État aux Affaires extérieures
et du ministre des Finances
pour le Cabinet

Memorandum from Minister of Trade and Commerce,
Secretary of State for External Affairs
and Minister of Finance
to Cabinet

CABINET DOCUMENT NO. 81-57 [Ottawa], April 9, 1957

CONFIDENTIAL

EUROPEAN INTEGRATION AND THE GATT REVIEW OF THE COMMON MARKET

On March 25 the following countries signed a Treaty to establish a European Common Market: France, Federal Republic of Germany, Belgium, Netherlands, Luxembourg and Italy. This Treaty is subject to ratification by the legislatures of these countries. It must also be examined by the Contracting Parties to the General Agreement on Tariffs and Trade in order to determine whether it is consistent with the provisions of the General Agreement relating to customs unions and to consider what is to be done with respect to any inconsistencies. The Intersessional Committee of the GATT will meet on April 24 to give some preliminary consideration to this and to set a date for the Contracting Parties to the GATT to give definitive consideration to the Treaty.

2. In considering when and how Canadian views on this Treaty should be expressed, the Cabinet will wish to take into account the political as well as the economic aspects of the problem. Both sets of considerations are very important and each has a moderating effect on the other.

3. For the Governments of Western Europe, the achievement of a European Economic Community (as the Common Market is to be called) is perhaps the most important development of the past 12 years, to be compared only with the establishment of NATO. Their present undertaking may represent for them a stepping stone to the kind of federal political union which Germany achieved in the 19th Century, via a customs union. The logical development of this would be the creation of a United States of Western Europe.

4. There are compelling reasons which have led the political leaders of the six countries to adopt this course. Perhaps the most important is the necessity, as they see it, of recreating a Western Europe able to stand more firmly on its own feet and to compete in an era of larger economic units dictated by mass production methods and the prospect of atomic power. Faced with the erosion of Western Europe's political and economic position in the world, leaders such as Chancellor Adenauer, M. Spaak and in past years M. Schumann, have been forced to the conclusion that only by means of integration in the political and

economic spheres could Western Europe hope to survive as something more than a group of small and middle powers dependent in the final analysis upon the United States.

5. Another motive was to facilitate close cooperation between France and Germany. Equally important, given the present division of Germany, was the problem of binding Germany — or at least Western Germany — firmly to the West.

6. The United States Government has consistently given the Europeans every encouragement in their pursuit of Western European integration. It supported the establishment of the Coal and Steel Community and the ill-fated European Defence Community. It has also encouraged the six countries concerned in their endeavours to set up a Common Market. Even the restrictive nature of the Common Market Treaty as it has emerged from the final negotiations does not appear to have weakened U.S. support. Nor does the United States Government seem to have been disturbed by the approval which these Treaties have evoked from some anti-American elements in Europe, especially since Suez.

7. The United States presumably sees in this development some prospect that Western Europe may become less dependent on Washington. Presumably they hope that the result would also be a more prosperous Western Europe which would strengthen the whole Atlantic area. It would seem that for such reasons the United States Government has so far been willing to accept the potential disadvantages to its commercial interests and the risk of a relatively more "free-wheeling" Western Europe.

8. After many months of opposition to the proposed common market, the United Kingdom Government decided last summer that, both for political and economic reasons, it should seek instead a method of association with the Common Market. The United Kingdom Government came to the conclusion that free trade area arrangements with the common market countries would protect their relationship with the Continent with a minimum of damage to their interests elsewhere.

9. The Canadian Government has, from the beginning, sympathized with the objectives of Western European economic integration, although we have been more conscious than the United States of the potential damage a restrictionist approach could do to our exports and to the structure of multilateral world trade. As early as February, 1950, we welcomed the prospect of closer economic co-operation among the countries of Western Europe which might eliminate uneconomic production and encourage competitive efficiency. Speaking in Bonn in 1954, the Prime Minister emphasized the need for "the peoples living about the great basin of the Atlantic Ocean" to work for the solution to their economic, political and military problems in closer integration.[39]

10. It is particularly important to Canada that these European developments should take place within the framework of the Atlantic community of interests. Though this is also central to the United Kingdom position, it is not so vital either for the United States or for Western Europe. They need a transatlantic framework for military security: For Canada and the United Kingdom it is essential in other fields as well. No country of the area would stand to suffer more than Canada from a growth of Continentalism in any field on either side of the Atlantic.

11. For such reasons as these, the Canadian Government have qualified their support for the current developments in European integration. When the United Kingdom made its proposals for a free trade area in association with the common market, the Canadian Government expressed a cautious welcome for the whole scheme. A statement issued by the

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[39] Voir Canada, ministère des Affaires extérieures, *Déclarations et Discours*, 1954, nº 8.
See Canada, Department of External Affairs, *Statements and Speeches*, 1954, No. 8.

Prime Minister on November 13th warned against some of the dangers involved and concluded:

> "Should the proposals be adopted and successfully carried through by Britain and nations of Western Europe they should increase the economic strength and prosperity of the peoples of that whole great area and also their sense of solidarity and common purposes even beyond the economic field. Such a result could not fail to be welcomed by Canadians whose security, and cultural and political heritage as well as economic welfare have been, and are, as closely linked with that of the world."

12. The prospects for ratification of the Common Market Treaty appear to be fairly good, provided the French Government survive their current economic crisis. Many of the less defensible features of the Treaty are the result of concessions made by some member countries in order to facilitate ratification by France. It is now probable that by mid-summer (i.e., well before the German elections on September 15), the Treaty will have been ratified and the new institutions will commence operations on January 1, 1958. The programme for achieving the common market will extend over a 12-15 year period.

13. Negotiations on phasing and detail will continue, for much has deliberately been left out of the treaties. These supplementary negotiations will affect the manner and spirit in which the common market will be implemented. It is in these negotiations that outside countries have most hope of influencing, by means of the GATT review and through diplomatic consultations the impact which the Common Market will have upon their trade.

14. In recent months as some of the treaty provisions began to emerge in draft form we sought from the six countries assurances that the provisions of the treaty would be consistent with the GATT. We also made written representations about certain aspects of the treaty as we understood them. A preliminary examination of this Treaty and its Annexes reveals a number of important provisions which appear more damaging to trade than we might have expected and indicates the following areas of danger:

(a) With respect to the common tariff to be developed by the six countries, the Treaty lays down a framework which will facilitate unjustifiably high levels of protection on many sectors of interest to Canada, such as wheat, fish, chemicals synthetic rubber and aluminum, as well as over a wide field of manufactured goods.

(b) With respect to import restrictions, the Treaty establishes a basis for policies which could well reinforce existing discriminatory restrictions for an indefinite time. It could also lead to the development of common measures of restriction against the outside world, something which Canada has consistently opposed. The provisions of the Treaty might entail the re-imposition of restrictions by countries like Germany and Belgium and discourage others from removing theirs. If these developments occur, the Treaty will not only lead to a permanent system of tariff differentials vis-à-vis outside countries, which is of course the effect of any customs union, but will, in addition, strengthen the use of discriminatory import restrictions.

(c) The agricultural provisions of the Treaty (which cover both agricultural and fisheries products), will establish a common system of permanent protection in Europe. The Treaty provides for guaranteed prices, long-term marketing agreements among the members and restrictive measures on imports. These long-term marketing agreements must be established within the first four years of the Treaty, and member countries are committed to employing every possible measure, especially in the field of import restrictions, in order to ensure the fulfilment of these agreements. The extent of the protection envisaged by the Treaty is shown by a clause which states that members may import agricultural products under long-term contracts from outside the community if these are required for processing and re-export and goes on to state that even this will not be permitted if the member countries, as a group, decide to subsidize purchases within the Area. These agricultural provisions are likely to lead to the stimulation of high-cost production in Europe and are bound to affect Canadian exports of wheat, barley and other agricultural products which make up about 50 per cent of our present trade with these countries.

(d) The Treaty provides for the association with the Customs Union of the dependent overseas territories of the European countries, as well as of such countries as Morocco and Tunisia, which have lately achieved independent status. Exports from these areas to the Common Market will receive preferential tariff treatment and will benefit from the protection of the agricultural arrangements. In return these territories will extend to the Common Market countries the preferential tariff treatment they now grant to the metropolitan countries. Some of these areas are important potential producers of commodities which compete directly with Canadian exports, such as wheat, iron-ore and aluminum.

(e) The Treaty provides no clear general undertaking that the arrangements envisaged will be consistent with the obligations of the member countries under the GATT and the IMF. Indeed, the implications of some of the provisions of the Treaty are that member countries will give priority to the Treaty in cases where there is a conflict with other international obligations.

15. The actual agreements that have been reached, therefore, are inherently much more objectionable than the proposals which were made at earlier stages. The various arrangements envisaged under the Treaty seem heavily weighted towards regional protectionism with all that this implies. There are increasing expressions of concern within Europe about the undesirable effects this could have on the European economy. It will be recalled that, in the recent discussions between Prime Ministers in Bermuda, Mr. Macmillan indicated that he had some fear that the six European countries might be moving in a protectionist direction and cutting themselves off from world trade. Our failure to make constructive comments would disappoint influential groups in various European countries, inside as well as outside the Common Market, who are hoping for our support of liberal trading principles. These developments create a most difficult dilemma for the formulation of Canadian policy. There are strong reasons to avoid conflict with the six governments; in particular, we would not want, by criticizing the Treaty, to be held partially responsible for any failure to get it ratified. On the other hand, Canadian export interests will be affected by the protectionist features of the Treaty.

The establishment of this Common Market has serious implications in many different fields:

(a) The creation of a regional protectionist trading bloc in Western Europe could well lead to the emergence of regional and restrictive arrangements in other parts of the world and perhaps even to the breakdown of the present system of multilateral trade. Of particular importance from Canada's point of view are the repercussions this may have on United States trade policy. With the development of regional groupings, which would weaken the status of existing international organizations, there is a real danger that protectionism in the United States will once more gain the upper hand.

(b) The establishment of a European Common Market along the lines envisaged in the Treaty could also have implications for North Atlantic solidarity. The proposed arrangements could result in a considerable weakening of the trade links within the North Atlantic community and affect the basis of close co-operation in the economic field that has been developed thus far.

(c) There are also important implications for countries in Asia and Latin America. In the face of a restrictive European regional trading bloc it will become increasingly difficult for Japan to continue to centre its trade policies on its GATT relationship, and it will be under increasing pressure to look elsewhere and to establish exclusive arrangements of its own. The provisions in the Treaty for special relations between the European Common Market and overseas territories will lead to intensified discrimination against the products of underdeveloped countries in Asia and Latin America. The creation of a trading bloc comprising the most highly industrialized countries of Europe will further increase the dissatisfaction in these countries about present world trade arrangements.

16. The implications outlined above are all of concern to Canada. The Canadian Government has worked for the past ten years to promote multilateralism as opposed to regionalism in world trade. The Canadian Government's policy has been motivated by a positive interest in trade on the widest possible basis and also by a desire to avoid joining any particular trading bloc. It may be that the cross-roads of these efforts has now been reached.

The damage that might result to Canadian exports from the creation of this Common Market appears to go beyond the normal disturbances and adjustments that could logically be expected from the creation of any customs union. Canadian exports to the Common Market countries are now over $350 million. Over one-half of this total consists of agricultural products, primarily wheat. About one-tenth consists of manufactured and chemical products, and it had been hoped that as these countries continued to remove their restrictions this sector of our trade might have increased. The effect of the high common tariff, combined with special protective devices for agriculture and other preferential arrangements, could be to limit our exports to these countries largely

(a) to industrial raw materials not available in the Common Market or its associated territories, and,

(b) to wheat and other agricultural products only after surpluses within the area had been absorbed.

The result could be to make Canada even more dependent on the export of primary products and on trade with the United States.

17. The Intersessional Committee of the Contracting Parties to the GATT will meet in Geneva on April 24, 1957, to discuss procedures for consideration of the Common Market Treaty. There will have to be a full Session of the Contracting Parties to consider the substance of the Treaty as against the relevant GATT obligations and the trade interests of countries outside the Common Market. The most urgent issue to be decided by the Intersessional Committee is whether this Session should be held before or after ratification of the Treaty by the six governments. The United States would prefer the latter course, in order that any critical comments they may make will not embarrass the ratification process. We appreciate the importance of the U.S. reasoning. However, in view of the damage that could be done to Canadian trade interests by the terms of this Treaty, it may be difficult for the Canadian Government to justify having withheld criticism until after the Treaty has been ratified. It appears that many other countries, including most Commonwealth countries, favour an early GATT session.

Recommendations

1. That the Canadian Government should be prepared to participate in the GATT review of the Common Market Treaty at the earliest date at which an effective session can be held — before ratification if it is found that a representative majority of the GATT countries hold this view.

2. That the Canadian Government should continue to seek assurances that the Treaty will be interpreted and administered so as to minimize damage to Canada's broad trading interests.

3. That the Canadian Government should, at an appropriate time, advise the six countries that, despite Canada's sympathetic attitude to the objectives of the Treaty, (a) at the GATT Session we shall be unable to concur in those provisions of the Treaty which go beyond the essential principles of a customs union and unjustifiably impair Canadian trade interests, and (b) Canada reserves its rights to take appropriate measures, if necessary, with a view to restoring the balance of advantage in the Trade Agreements between Canada and these countries.

4. That action which may be required from time to time to implement these decisions may be taken on the authority of the three Ministers primarily concerned.[40]

C.D. HOWE
Minister of Trade and Commerce
L.B. PEARSON
Secretary of State for External Affairs
W.E. HARRIS
Minister of Finance

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391. DEA/9100-AM-40

La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures

Delegation to GATT Conference
to Secretary of State for External Affairs

TELEGRAM 189 Geneva, April 30, 1957

CONFIDENTIAL

Repeat London; NATO Paris, Paris from London; Washington from Ottawa.
By Bag Bonn, Brussels, Rome, Hague and all OEEC Posts from London.

Note: This telegram is the result of consultation with Schwarzmann and Warren although they have not seen the final text.

GATT — MEETING OF THE INTERSESSIONAL COMMITTEE APRIL 24 TO 27 TO CONSIDER THE COMMON MARKET TREATY

The Intersessional Committee took the following decision concerning procedure for considering the Common Market Treaty:

1. At the end of the Intersessional Committee's meeting the Executive Secretary shall transmit to all Contracting Parties the summary records of the Committee's proceedings on the treaty together with any documentation that may be received from the Interim Committee for the Common Market. At the same time he shall invite Contracting Parties to submit questions not later than May 31 1957 concerning the provisions of the treaty and its implementation.

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[40] Approuvé par le Cabinet le 11 avril 1957./Approved by Cabinet on April 11, 1957.

2. A small working group of the Contracting Parties to be appointed by the Chairman shall meet immediately after the end of May to prepare a consolidated list of questions for transmission to the Interim Committee. The Executive Secretary shall then forward the list to the Interim Committee and shall enter into such consultations as may be necessary to assist the Committee.

3. The Interim Committee shall be requested to supply explanations in answer to the questions to the Executive Secretary not later than July 15. These will be conveyed by the Executive Secretary to the Contracting Parties. The Intersessional Committee shall be convened in the latter half of August for such further examination of the treaty as may be necessary and to recommend the subsequent procedure to be adopted for consideration of the treaty by the Contracting Parties either as a special session or at the latest at the Twelfth Session".

2. This decision represents a compromise between those countries who desired a special session before ratification (e.g. Japan, India and Dominican Republic) and those who wished to defer the matter to the 12 Session (e.g. USA, UK and the Six). It is generally agreed that this compromise decision has two main advantages:

(a) Provides time for Contracting Parties to thoroughly examine the treaty and prepare for an effective review later in the year;

(b) Draws the attention of the Six to the detailed concerns of other countries and thereby maintains pressure on them during the next few months.

The decision grew out of awareness that time is required to examine the treaty, appreciation that the Six must begin the ratification process almost immediately, and desire of European members to defer the problem until the free trade area negotiations are further advanced.

3. Approval of these procedures was accompanied by a general discussion of the treaty. In this discussion the representatives of twenty Contracting Parties made statement. Nearly all representatives stated that they feared the Common Market will become a new preferential area which would seriously damage the trading interests of non-members. Many criticized the agricultural plans affiliation of overseas territories and level of the common tariff and indicated the belief that these provisions were contrary to GATT. Several doubted that the transitional phase would be completed in fifteen years. Many enquired if Article 234 of the Treaty meant the Six would modify the treaty to conform with GATT and indicated they would welcome assurances on this important point. Some pointed out that GATT decisions on the Common Market will establish precedents for the free trade area. While the USA indicated support for the treaty it expressed serious concern over the common tariff, agriculture and overseas territories. The UK made a reasonably strong statement which questioned the adequacy of the plan and schedule and criticized the agricultural provisions inclusion of overseas territories and the level of the tariff. The USA, UK, Australia, India and South Africa stated that the provisions covering QR's (quantitative restrictions) required clarification. India and South Africa mentioned that benefits from the OEEC programme for removing QR's had been restricted to Member States. Brazil, Ceylon, Dominican Republic and Indonesia indicated they feared the Common Market would retard their economic development. Dominican Republic, India, Japan and Peru formally reserved their position until the Contracting Parties examine the treaty. The Dominican Republic and Indonesia indicated they would withdraw concessions granted to the Six if their trade is damaged. New Zealand stated it would re-examine its trade policy and consider withdrawing concessions if the Common Market injured its trade. Nearly all

statements were intelligent firm and moderate. There were no irresponsible outbursts. The text of the Canadian statement is reproduced in the immediately following telegram.†

4. The Representative of the Six (Baron Snoy) spoke before and after the general discussion. His first statement largely ignored the commitments of the Six under GATT and the interests of non-members. It consisted of vague generalizations such as the Common Market is in the interest of world trade, the text of the treaty should be viewed as a whole, the treaty will be implemented in a "flexible" way, the treaty provides for the accession of other countries and GATT has nothing to fear. He continued to speak along these lines in private talks with other delegates which were held immediately after his initial statement and before the committee discussed the treaty. However his post-discussion statement indicated some appreciation of the obligations of the Six to other Contracting Parties and a desire to cooperate in settling any problems that might arise. He said the Six would respect legitimate interests of non-members. He went on to imply they would adhere to the rules of GATT when implementing the treaty. He said the Six expect other Contracting Parties to meet their obligations under GATT and he hoped the others would expect the Six to do the same. Turning to specific observations made by other delegates he said the transitional period cannot exceed fifteen years. Articles 234 of the Treaty applied to all obligations according to common law and that he could not examine the effect of the treaty on the trade of non-members at this time. On the key question of whether the Six would provide assurances to modify the treaty to conform with any recommendations made by the Contracting Parties he gave equivocal answer that might be paraphrased as follows: The Six do not know these recommendations. Acquiescence of the Six will depend on the recommendations and circumstances. The Six will abide by GATT "as long as they are members".

5. As a result of these events many delegations left Geneva with a growing confidence that the Contracting Parties might be able to persuade the Six to follow liberal policies in implementing the treaty. This attitude stands in sharp contrast to the feeling of despair that existed during the early phase of the meeting. The change in attitude began when we took the initiative in securing a change in the Executive Secretary's proposed plan of work for the meeting (out telegram 162 April 9†). It seemed to us that deferring the general discussion until Friday (the last full day of the meeting) ran the risk of stifling the debate leading the Six to believe the Contracting Parties would readily accept their treaty and giving the underdeveloped countries the impression that the USA, the Six, and Wyndham White had agreed that GATT would not raise any serious objections to the Common Market. We therefore took the lead in persuading the chairmen to begin the general discussion on Thursday. From this point on delegates acquired increasing confidence that GATT could effectively influence the application of the treaty. A member of the Indian delegation subsequently summed up the situation by saying our intervention on procedure indicated that at least one major trading country in the West was prepared to fight against the more objectionable features of the Common Market.

6. Other points that might be mentioned are:

(a) Wednesday afternoon and Thursday morning were spent on informal meetings in Wyndham White's office between the Six and successive groups of countries. The meeting were arranged by Wyndham White to provide the Contracting Parties with an opportunity to "confront" the Six with their criticisms of the treaty. The USA and ourselves formed the first group. Partly because no one had explained the purpose of the meeting to us and partly because Corse (USA) used considerable time discussing a technical point on the common tariff we did not have much time to develop our position. However we stressed that we would not support provisions of the treaty which were inconsistent with the GATT and which damaged Canadian trade. We also referred to the lack of balance which provisions of the treaty might introduce in our trade relations with the individual members of the Common Market and indicated that if necessary we would have to consider redressing this balance. The German and Belgian Representatives seemed to think that our concerns would be met through special quota arrangements for Canadian wheat and they hinted that this would be possible within the terms of the treaty. We agreed that the question of wheat was of great importance but emphasized that this was only one of many anxieties to which the treaty gave rise.

(b) In private discussions with members of the Six particularly the Germans we developed the points outlined in paragraph 6 (a). We made it clear that we would withdraw concessions if this became necessary.

(c) In the informal meetings in Wyndham White's Office Belgium (Forthomme) said the treaty was compatible with Article XXIV in the GATT. He went on to say that if some points are incompatible the Six would request a waiver. When we enquired if they would be prepared to meet the terms of a waiver he replied that they would examine each condition on its merits. It would be unfortunate if the Contracting Parties refused to grant a waiver and he hoped this situation would not arise. He refused to give us an assurance that the Six would take full account of the views of the Contracting Parties.

(d) Baron Snoy undertook to provide the contracting parties with a memo explaining the treaty. He did not indicate when this would be available.

[M.H.] WERSHOF

2^e PARTIE/PART 2

EURATOM

392. DEA/11143-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 171 Paris, February 8, 1956

CONFIDENTIAL. IMPORTANT.

Reference: Our telegram 164 of February 7.†

Repeat Brussels 2: Ottawa please pass copies referred to Bonn and London.

OEEC MINISTERIAL COUNCIL

The nuclear energy problem will be an important item on the agenda of the Ministerial Council, and in view of Canada's known position as a producer of uranium, it would appear advisable for us to make a statement on the subject. It is reported that the meeting of the Foreign Ministers of the Brussels powers is scheduled for February 11-12 and that there will be on February 15 a meeting of Heads of Delegation of the Messina Conference to perfect their report on the new plans for integration. The precise tactics that the six countries may adopt at the OEEC Council will depend upon the outcome of the political decisions taken at the earlier meetings. We assume, however, that you would not, unless some factors in the situation change radically, wish us to take any stand in the OEEC against Euratom. It appears to us that the Canadian interest, from the nuclear energy point of view, at the OEEC Ministerial Council is not primarily to attempt to influence the issue one way or the other, but rather to assure that, if the OEEC does pursue its nuclear energy discussions (either independently or with a view to co-ordinating with Euratom) Canada will play the part in those discussions to which it is entitled by its position as a producer of nuclear materials. We give below the text of a draft statement on which we should be glad to have your comments. We should also like to have your views as to the validity of the assessment of the Canadian position which is given above, since, however it is worded, the precise effect of your statement will depend to some extent upon its timing.

Text Begins:

The Canadian Delegation has followed closely the important discussions regarding the development of the peaceful uses of nuclear energy which have been taking place in the OEEC during the last three months. The excellent report prepared by the Working Party of the Council, and the estimates now being made by the Commission for Energy of total future energy demand in Europe, both underline the part which nuclear energy will be called upon to play when the other conventional forms of energy have reached or passed their capacity — possibly after 1975. In these circumstances, it is wise and foresighted to examine now, when the possibilities of the new industry are just being revealed, what can be done to co-ordinate its development and avoid overlapping or waste of effort.

As members of the Council are well aware, Canada is one of the world's largest producers of uranium ore. In view of our special position in this field, the Canadian Delegation has earlier stated — and I feel that I should here repeat — that the Canadian Government would welcome the opportunity to market uranium within a suitable international framework. Though as one of the twelve governments now engaged in consultations in Washington to consider the possible status and functions of the proposed International Atomic Energy Agency, we would not feel free at the present time to prejudge the outcome of these discussions, neither would we foresee any *necessary* incompatibility with the other proposals now being considered.

If therefore the members of the OEEC are agreed that they wish to pursue their examination of the possibilities of action in the field of nuclear energy, the Canadian Government will continue to co-operate to the best of its ability and experience, and in particular is prepared to send a high ranking expert to participate in the work of a special expert committee such as that envisaged in the Working Party's report. Text ends.

[L.D.] WILGRESS

393. DEA/11143-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM E-165 Ottawa, February 23, 1956

CONFIDENTIAL

Reference: Your telegrams 171 of February 8 and 196 of February 15.†
Repeat Brussels E-19; Bonn E-46; London E-291; Paris E-177.

OEEC DISCUSSION OF NUCLEAR ENERGY

The assessment of our position given in your telegram No. 171 is substantially correct. We agree that you should make a statement based on this position at the forthcoming ministerial meeting. We would, of course, wish to make this statement as forthcoming as possible; you are, however, aware of the reasons why we are not at present able to announce a detailed policy concerning the sale of natural uranium to European or other countries. We consider that your draft statement pretty well meets the case, and we approve the purpose of the amendment incorporated in the revision given in your telegram 196. We set out below a further revision which modifies your language slightly on a few points. Text begins:

The Canadian Delegation has followed closely the important discussions regarding the development of the peaceful uses of nuclear energy which have been taking place in the OEEC during the last few months. The excellent report prepared by the Working Party of the Council and the estimates now being made by the Commission for Energy of total future energy demand in Europe both underline the part which nuclear energy will be called upon to play when the other conventional forms of energy have reached or passed their capacity — possibly after 1975. In these circumstances, it is wise and foresighted to examine now, when the possibilities of the new industry are just being revealed, what can be done to coordinate and encourage its development and to avoid overlapping or waste of effort. If the plan which may for convenience be called Euratom proceeds, the Canadian Government will support any mutually satisfactory form of cooperation between it and the wider and more flexible type of association proposed in the Working Party's report. In our view a satisfactory form of cooperation will be one which, while not injurious to the further growth of sound relationships with other countries, strengthens the economic base of all the countries of Western Europe and thereby contributes to their political strength and unity. The statements we have heard today have confirmed our hope that such cooperation will be sought and can be attained.

As members of the Council are aware, Canada is and will continue to be an important producer of uranium ore. In view of this fact, and in view also of the developments which have taken place as a result of the recent conference in Brussels, I feel that I should here repeat the statement made earlier by my delegation that the Canadian government would welcome the opportunity to market uranium within a suitable international framework. We do not wish to prejudge the outcome of the present twelve-power consultations in Washington on the status and functions of the proposed International Atomic Energy Agency, and therefore have no comment to offer at present on the question of security controls which may be under examination there. We would assume, however, that the outcome of these consultations is unlikely to be incompatible with the various other proposals for cooperation now being considered. As for the practical arrangements which may be worked out by the European countries co-operating in this important and promising field of activity, we consider that it would be to the advantage of those countries to preserve access on a non-discriminatory basis to the most economic sources of supply of the various materials involved.

Referring specifically to the proposals now before the Ministerial Council, I am authorized to say that if the members of the OEEC are agreed that they wish to pursue their examination of the possibilities of action in the field of nuclear energy, the Canadian Government will continue to cooperate to the best of its ability and experience. In particular, we are prepared to make available a high-ranking expert to participate in the work of a special expert committee such as that envisaged in the Working Party's report. Text ends.

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394. DEA/11143-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 274 Paris, February 29, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Your telegram E-178 of February 27.†
Repeat Brussels 10 (Ottawa please pass).
Copies referred to London and Bonn by Bag.

OEEC MINISTERIAL COUNCIL; DISCUSSIONS ON NUCLEAR ENERGY

The Ministerial Council finished its discussions of nuclear energy at noon to day by adopting a very slightly modified version of the resolution given in our telegram 256 of February 24.† At our suggestion, the word "between" in the title and paragraph 4 of the preamble was changed to "among". In proposing this amendment, we took this occasion to draw the inference suggested in your telegram under reference and stressed again the allusion to the advantages of non-discriminatory access to economic sources of supply which was contained in the text of the statement authorized by your telegram E-165 of February 23. We made this statement during the first part of the debate on February 28 and received comments from a number of sources, including the Secretary General and Sir Hugh Ellis-Rees, on its helpful and constructive character. This was also stressed by the Austrian Minister, Figl, in his clear-headed and powerful statement to the Council.

2. The United Kingdom expressed support for the OEEC and like almost all of the other speakers expressed the belief that the OEEC and Euratom plans were not incompatible. Thorneycroft also referred to the need to abolish trade barriers on a reciprocal basis (along the lines forecast in London telegram 5 of February 25†), and stated that Euratom could not, in fact, exist on a discriminatory basis but would have to get within the OEEC framework. The United States gave assurances of its intention to help the European countries' efforts in the nuclear energy field and stated that the precise form of organization to be adopted was primarily a matter for Europe itself to decide. Spaak, as spokesman of the Six, made an agreed declaration of which the text is contained in our immediately following telegram.† He capped this on his own account with a long and able piece of special plead-

ing which did not, however, succeed in concealing that the Six have yet to agree on the precise form of their proposed co-operation.

3. We shall comment more at length on the Council proceedings by letter. We shall also try to find out as soon as possible the plans for convening the special committee and the names of the representatives who will attend. These names must be submitted within fifteen days and we should be glad to know whether you wish us to inform the Secretary General now that Mr. Bennett proposes to attend or whether his coming will depend upon the level of representation and the dates of the meetings.

4. In conclusion, we wish to thank you for your full and satisfactory briefings.

[L.D.] WILGRESS

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395. DEA/14001-1-3-40

Le conseiller de l'ambassade en Belgique
au chef de la Direction économique

Counsellor, Embassy in Belgium,
to Head, Economic Division

PERSONAL AND CONFIDENTIAL Brussels, November 23, 1956

My dear Ed [Ritchie]:

About the time I left Ottawa some thought was being given in the Department to the possibility that Canada might associate itself in some way or other with Euratom. One suggestion was that we might provide a research reactor; another idea was that we might make token agreements to provide research quantities of uranium to the Euratom countries with an indication that we would be in a position to supply greater amounts in the future. The first of these ideas, for very obvious reasons, does not seem to me to be even a starter. The other idea has much to commend it although since we do not produce enriched uranium it would probably involve some type of trilateral negotiation with the United States.

The anticipated shortages of oil and the reliance of Western Europe on the Middle East for most of its oil has given a shot in the arm to the Euratom negotiations. I was told the other day by the Secretary of the Brussels Committee that it is now not inconceivable that the Messina powers might go ahead with the Euratom treaty alone if there was any thought that the Common Market was going to flounder or be delayed.

Belgium, as you know, has always thought it should have priority to supply the uranium needs of Euratom. However, although the Belgians themselves are very tight-lipped about this, I have been told by both the Dutch and the Germans here in Brussels that the supplies from the Congo will not approach the needs of Euratom and that in fact in a few years most of the uranium which is concentrated close to the surface in the Congo will have been expended.

One of the chief considerations for Euratom is the establishment of a separation plant. This of course is a very costly operation involving overwhelming amounts of power. I gather that this power is simply not available in any Western European country at this time. Under these circumstances Euratom must rely on the separation plants in the United States for all of their fissionable material (largely, I understand, enriched uranium). For strategic and political reasons, I am sure that most of the Euratom Governments find this anticipated reliance a little disturbing. For these Governments the ideal situation would be to establish their own separation plant somewhere in Western Europe. For the moment, because of the shortage of power, this seems virtually out of the question. Perhaps in time (I have heard estimates of ten to fifteen years) atomic reactors will have increased the available power to the point where Western Europe could undertake to set up its own separation plant. Some thought has been given to linking a separation plant with the Inga River development in the Congo but I gather the logistic problems of setting up an Oak Ridge in the heart of the Congo make this a somewhat unrealistic approach. In any event I gather that the development of the power aspects of this project alone are quite bewildering and its unlikely that the Belgian Government could become committed to anything as complex as the establishment of a separation plant.

This raises the question of whether or not Canada is going to establish a separation plant. I assume on the basis that it is cheaper to use the United States facilities at the present time this possibility has not been given very serious consideration. Is it worth thinking about the possibility that a Canadian separation plant would enable us to provide guaranteed amounts of enriched uranium on long-term contracts say of ten years to Euratom countries? While I understand that great amounts of power are required to set up such a plant, surely one of the potential power sites in Canada could be linked to such a project.

As I see it, the advantages would be the following:

(a) The long-term contracts for the provision of enriched uranium to Euratom would in a sense subsidize the establishment of a Canadian separation plant during the initial period when our own demand at home for enriched uranium would not be anything like sufficient to justify the establishment of the separation facilities;

(b) We would have got a firm foothold as providers of nuclear fuel to the Western European countries. This could be a great advantage in ten years' time when uranium or other sources for fissionable material may have become more abundant;

(c) From the point of view of our own strategical and political outlook there is much to be said in having our own separation plant in Canada;

(d) In terms of doing something concrete to promote the Atlantic Community, I can think of no more effective contribution from Canada.

I have the impression that German, Dutch and even Belgian capital is prepared to cooperate in the establishment of such a project abroad. So far I understand they have got a cold shoulder from the Americans. If there was a decision to set up a separation plant in Canada, we might for purely selfish commercial reasons not wish to bring in European capital. On the other hand if there was some worry about the shortage of capital I think it would not be too difficult to attract some investment from Western Europe.

It is more than likely that all of the points which I have mentioned in this letter have been examined in Ottawa. However, from this vantage point, it is difficult to ignore the effects which the recent Suez crisis have had on the plans for developing atomic energy as a source of power in Western Europe. This seems to me to be one of the few places where our commercial, political and strategic interests might all benefit from a decision at this time to establish our own separation facilities. I must confess that I doubt whether Canadian public opinion in the long run will really approve of complete Canadian reliance on United States for the provision of fissionable materials which will play a tremendous part in our industrial development but which will always be subject to the prevailing economic or military policies in Washington.

Sincerely,

GERRY [STONER]

P.S. Good Luck in Washington, and my regards to Louis Couillard, Dave Kirkwood, Joan Stock and the Division.

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396. DEA/14001-1-3-40

Le chef de la Direction économique
au conseiller à l'ambassade en Belgique

Head, Economic Division,
to Counsellor, Embassy in Belgium

PERSONAL AND CONFIDENTIAL Ottawa, November 29, 1956

Dear Gerry [Stoner],

Your letter of November 23 is a really stimulating one and one which we shall follow up discreetly. For your own information I would merely remark at this time that something of the sort which you have suggested is in various people's minds here. How likely it is to get further than that I wouldn't dare predict. We shall, however, keep you informed as fully as we can.

Thank you for your good wishes for Washington. We are looking forward to it although we have not started preparations for our move yet. We expect to go down shortly after Christmas.

I should add that we are greatly pleased with the reports which we are getting from Brussels. We detect your fine hand in many of them.

Warmest regards, etc.
A.E. RITCHIE

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397. DEA/14001-1-3-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs

TELEGRAM 40 Paris, January 10, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Telegram 3 Brussels to External January 4.†
Repeat Brussels, London, Washington, Paris (Information).
Repeat Bonn from Ottawa.

EURATOM COMMITTEE OF THREE

Mr. Robertson has forwarded to us from London a letter from Kohnstamm of the High Authority, who is acting as Secretary of the Three-man Committee appointed by the Euratom powers to report on the forseeable level of atomic energy production in the six countries. Kohnstamm mentions that they wish in their report, which is to be completed by the end of February, to take into account atomic energy developments in Canada. He has assembled a small group of experts to help in the drafting and asks whether there is a qualified Canadian official in Europe who might informally discuss with this group the details of the Canadian programme. His letter does not indicate a wish to secure more than the info necessary to round out his report from the technical point of view, but it is of course possible that the request indicates a desire to sound out the intentions of the Canadian Government with regard to sales to the Euratom powers. Whichever is the case, this initiative may give you further reason to consider whether it would be advisable to follow the suggestion in Brussels telegram under reference and suggest that the Three-man Euratom Committee should visit Canada as well as the USA. Or, if you do not wish to do this, you might consider suggesting that Kohnstamm have a talk with Canadian officials when he accompanies the Committee to the USA (as it seems he must do). It seems to us that it would be worthwhile following up the request to find out if anything lies behind it. Moreover, even if there is no more than appears on the surface, it is worthwhile doing what we can to see that the Canadian contribution to the peaceful development of nuclear energy is adequately dealt with in a report which is likely to be an influential document here in Europe.

2. We have written Kohnstamm saying that we know of no qualified Canadian official at present in Europe who could talk with his expert drafting group, but we have asked the Canadian authorities what can be done to procure for him the type of info he asks.

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398. DEA/14001-1-3-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Belgique

Secretary of State for External Affairs
to Ambassador in Belgium

TELEGRAM E-67 Ottawa, January 16, 1957

CONFIDENTIAL. IMPORTANT.

Reference: Your telegram No. 3 of January 4 and subsequent correspondence.
Repeat CANAC Paris, London.
Repeat Washington, Permis New York (Information).

VISIT OF EURATOM EXPERTS

For Brussels

We would welcome an opportunity to discuss matters of common concern with the Committee of Three experts. It would of course be most satisfactory if they could come to Ottawa for this purpose during their forthcoming North American visit. Although we learn from Washington's telegram No. 68 of January 10† that their visit has now been put off until February 2, it may be nevertheless that their itinerary is already determined to a point which would exclude a trip to Ottawa. In this event we would hope that they could arrange for discussions, which we would not expect to be too time-consuming, with our representatives in Washington.

You may therefore extend an invitation through Mr. Spaak along the lines indicated. You should say that we would be glad to have them come to Ottawa to meet Canadian officials concerned, and if they have the time available to visit the Canadian atomic energy project at Chalk River. (This would add one day to their time in Ottawa). Should this be agreeable to them, perhaps they could give us a tentative indication of the date or dates they would come. If they should be unable to come to Ottawa it would not be necessary to consider now the date for a meeting in Washington, as our Embassy there is fairly familiar with the questions likely to arise, and we would probably not send anyone from Ottawa although someone might go down from New York. A date could therefore no doubt be arranged after the arrival of the Euratom experts in Washington.

For CANAC and London

While the formal invitation should go through Mr. Spaak, presumably in Brussels, it may be that you are in the best position to see that our proposal is made known as soon as possible to the three experts. You might therefore get in touch with Kohnstamm (see CANAC's telegram No. 40 of January 10) to explain our plan. A meeting of officials with Kohnstamm himself would appear to be a supplement or alternative to discussions with the three.

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399. DEA/14001-1-3-40

Le sous-secrétaire d'État aux Affaires extérieures
au secrétaire du Cabinet

Under-Secretary of State for External Affairs
to Secretary to Cabinet

CONFIDENTIAL Ottawa, February 6, 1957

VISIT OF EURATOM "WISE MEN"

I believe that you have seen the telegrams relating to the forthcoming visit to Ottawa of the Euratom committee of three, and that Mr. Couillard and Mr. Watson of A.E.C.L. have spoken to you about it.

In the last few days more complete information relating to the visit has become available, and I am writing in the light of that information to make certain suggestions.

At first it was considered that the committee would wish to discuss in Ottawa the more technical aspects of atomic power planning. Recent telegrams, particularly from Washington, have now made it clear that the talks are likely to cover a broader range, including the political aspects of supplying uranium and probably various points relating to the general question of European integration. It is also noteworthy that in addition to talks in Washington with Mr. Dulles and Admiral Strauss, the three visitors are reported to be having a fairly lengthy interview with President Eisenhower this afternoon. In these circumstances, and taking account of the very senior position and political influence of the visitors, I believe that they should be received in Ottawa on a governmental basis. I understand that this is your view also. Indeed it might be considered whether the Prime Minister might meet them briefly at some stage during their visit.

The visitors are to arrive in Montreal by the overnight train from New York about 9 a.m. on the morning Thursday, February 14. It is intended that they should proceed as rapidly as possible to Ottawa, to spend that afternoon in discussions here. These talks would cover a range of subjects of mutual interest, including the supply of uranium by Canada to Western Europe, about which the visitors have asked particularly, and also no doubt a variety of points relating to Euratom and its prospective role in the movement towards European integration. It is intended that the visitors should spend Friday, February 15 at Chalk River discussing questions of Reactor Design and Technology. They might proceed to Chalk River on the train leaving Ottawa at 6:10 p.m. on Thursday and spend that night, and possibly the following night as well, at Chalk River. They are leaving

Canada by plane from Montreal on the late afternoon of Saturday, February 16 to proceed to the United Kingdom for discussions there.

I consider this general programme to be satisfactory. It seems to me that it would be desirable to start the visit off with a luncheon on the Thursday, at which a Minister might serve as host. If he is not otherwise engaged Mr. Howe might be willing to do this, or alternatively Mr. Pearson.

As for the discussions in the afternoon, they are more likely to be fruitful if the number of officials present is kept to a minimum. With this in mind, I would suggest that the visitors with a suitable selection from their staff (which will total eleven) might meet under your chairmanship with Mr. Bennett, Mr. Taylor (or Mr. Plumptre) and myself, with a few of our officials who have been associated with atomic matters being present. For my part I would wish Mr. Couillard, Mr. Kirkwood, and perhaps one other officer to attend.

I understand that such a programme would conform with your own ideas, and I believe it would be acceptable to Mr. Bennett although he is out of town and I am unable to confirm this. It seems to me that we cannot await Mr. Bennett's return to make firm plans. I would therefore suggest that you might approach Mr. Howe (or if you wish I will do so) outlining what we have in mind and asking if he would be able to act as host at a luncheon on the Thursday. This might be held about 12:30 o'clock at the Rideau Club, assuming of course that arrangements can be made for the visiting party to make the trip from Montreal to Ottawa in time. We are making arrangements to bring the visiting party by air from Montreal to Ottawa during the morning to arrive in good time for the luncheon.

The afternoon talks could then take place, either in your conference room or in ours depending on the size of the group, at about 2:30 p.m. I believe Mr. Bennett's staff envisage that those visitors who will be going to Chalk River should do so on the 6:10 p.m. train that evening, spending that night and perhaps the following night also at Chalk River and returning to Ottawa either Friday evening or Saturday morning to leave for Montreal about noon on Saturday in order to catch their plane to the U.K.

If Mr. Howe agrees to act as host at the luncheon, it would probably be most convenient for Mr. Bennett and his staff (who are in close contact with Mr. Howe) to make the necessary detailed arrangements for the function. I would suggest that this Department make arrangements for the afternoon meeting, and other administrative matters such as hotel bookings, etc.

I am sending copies of this letter to Mr. Bennett and Mr. Taylor. I should be grateful for your comments, in particular on the question of having a Minister serve as host at the luncheon since the arrangements on this matter should be concluded promptly.

JULES LÉGER

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400. DEA/14001-1-3-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-295 Ottawa, February 25, 1957

CONFIDENTIAL. IMPORTANT.

Repeat Brussels, Paris, CANAC Paris, Bonn, Permis New York, London (Information).

By Bag Geneva and all OEEC Missions.

VISIT OF EURATOM'S "THREE WISE MEN"

The "three wise men" and their staff of twelve advisers were entertained at luncheon on February 14, the wise men themselves and Kohnstamm by Mr. Howe and the remainder of the party separately by a group of Canadian officials. The afternoon was spent in discussions in Ottawa with Bryce, Bennett, Macdonnell, and others from Finance, AECL and this department. The following day was spent at the Chalk River plant, where the programme included a tour of the reactors but was devoted mainly to talks by the appropriate technical authorities of Chalk River followed by questions and general discussion. No business programme was arranged for February 16, when the party left Canada.

The discussion on the Thursday centred upon the supply of uranium. Bennett first outlined the institutional, production, contractual, financial and reserves aspects of the Canadian uranium industry, and the remaining time was taken up in questions and discussion arising from this exposition. Interest was shown in the possibility of having some Canadian uranium production financed by European capital, and it was explained that while there was nothing to prevent this the export of that uranium would remain under Canadian government control through Eldorado's purchasing monopoly. There were also many questions relating to the availability of uranium for export to Euratom countries, to which it was replied in effect that production now in existence was committed by contract until 1962 with the purchaser (the USAEC) having the option to continue to purchase up to the same annual amounts after that date. Hence uranium could be made available for Europe (apart from the small quantity now disposable) only in the three following ways (of which the first seemed to attract the greatest interest):

(a) *Before 1962*

(i) By expanding production of existing mines and arranging for the export to Europe of the increase.

(ii) By re-opening our special price purchasing programme and hence seeking to bring about the discovery and development of new mines.

(b) *After 1962*

Through a decision by the USAEC not to exercise its option on all or part of the production covered by the existing pre-1962 contracts.

It was made clear that in deciding whether to pursue any of these courses the government would have commercial considerations prominently in mind, and hence would give special attention to the volume and duration of any purchasing contacts proposed by European governments.

In response to questions it was made clear that Eldorado's purchasing monopoly was designed to ensure control of uranium produced rather than to exploit this production for profit.

At Chalk River on the Friday the main starting point was the account given by Lewis of the reasons why he regarded reactors using heavy water and natural or slightly enriched uranium as holding out the greatest promise of meeting the Canadian target of atomic power at 6 mills per kilowatt-hour. There was a good deal of development work involved, but it was hoped that a large scale reactor meeting this target might be built about 1964. The advantage of this type of reactor was based in large part on the relatively high burn-up of fuel which could be achieved. Lewis was followed by the Head of a Reactor Development Team, who outlined the features and characteristics of a projected 200 megawatts (electric) reactor based on the design of the NPD reactor now under construction, which it was hoped could be built by about 1964 to produce power at or near 6 mills per kwh. These two talks were impressive, and were followed with considerable interest and many questions by the visiting party's experts.

The visiting party appeared more interested in early operation on an industrial scale than in high economic efficiency — understandably in view of the fact that marginal power in Europe now costs 10-12 mills per kwh and the cost is rising. Whether or not they accepted Lewis's conclusions, we would expect that they might focus their immediate attention on less efficient types which can be brought into large scale operation rather sooner than the proposed heavy water power reactors. This will be a point of considerable interest in the "wise men's" report.

In summary, the committee's brief visit to Canada was devoted mainly to gathering information on these two particular questions (availability of uranium and power reactor technology) rather than to providing information on Euratom's plans and prospects. It did appear, however, that they were fully in earnest, and quite confident both that Euratom would come into being and that it would undertake a substantial power programme as soon as possible. Etzel stated bluntly, incidentally, that as far as the German government was concerned the ratification of the Euratom and Common Market Treaties was a single and indivisible question.

This account may be shown to officials of the US and UK governments, and the substance of it may be conveyed orally at the discretion of missions to officials of Euratom governments. In remarks concerning the visit to representatives of governments other than these eight, our missions should not give the information in paragraph 2 above concerning our commitments to the USAEC and the methods by which uranium could be produced for export to other countries.[41]

3^e^ PARTIE/PART 3

ORGANISATION EUROPÉENNE DE COOPÉRATION ÉCONOMIQUE
ORGANIZATION FOR EUROPEAN ECONOMIC COOPERATION

401. DEA/4901-F-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 105 Paris, January 23, 1956

CONFIDENTIAL

Reference: Our letter 3151 of October 17/55.
Copies referred by bag to all OEEC countries, Geneva.

OEEC — THE NEXT SIX MONTHS

When we last wrote on this subject, OEEC was in the doldrums. There was little new work on the horizon and the weak U.K. position gave little hope of progress toward convertibility or toward the fulfilment of the 90 percent stage of intra-European liberalization. The prospects, if not the situation, have now altered considerably and it is now possible to speculate on the general aspects of the work of the organization over the next six months.

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[41] Pour d'autres textes sur l'exportation d'uranium vers l'EURATOM, voir le document 805.
For additional material on the export of uranium to Euratom, see Document 805.

2. The principal new elements derive from the Messina Conference, in particular the proposals for a European Nuclear Organization and for a common European market. As you know, the OEEC Working Party on Nuclear Energy in its report C(55) 305 of 15 December has put forward proposals for the establishment of a European nuclear energy administration under the aegis of OEEC. Previously the Brussels Preparatory Commission of the Messina Powers had drawn up the basis for a nuclear energy authority of the Six Powers (Euratom). Neither of these proposals has yet been discussed by ministers but it is expected that the Messina ministers will meet in mid-February (if the French can form a government in time) and the OEEC Council of Ministers is scheduled to meet on February 28-29. In view of the political uncertainties involved, it is unlikely that much definitive progress will be made in OEEC in elaborating the Working Party's report prior to the Ministerial Council. It is expected that this will be one of the most important items on its agenda. It would be hazardous to speculate on the outcome of the struggle for position between the Messina Powers and the OEEC, but compromises are possible. Regardless of the institutional structure which may emerge there is a general recognition of the need for some form of European nuclear energy organization.

3. The situation with regard to the common market is different. The proposals of the Brussels preparatory commission have been publicized and digested. U.K. has made its position clear on this question of an OEEC Heads of Delegations meeting in December: i.e., that the U.K. will not be able to participate in a common market. The U.K. has taken the line that any proposals should be carefully considered by the OEEC with a view to ensuring that non-participating countries are not harmed. Since this question is also primed with political content, further discussion in OEEC has been postponed until the Ministerial Council on February 28-29.

4. Depending on the outcome of the ministerial discussions both these initiatives could give rise to new programs of work for OEEC.

5. The more traditional work of OEEC in the trade and payments field is still overshadowed by the adverse U.K. position and the difficulty for that country to take the lead. Also the French position remains incalculable largely because of political uncertainties.

6. On the payments side, the Managing Board has its usual mandate to report to Council by March 31 on the conditions under which the European Payments Union should be prolonged after June 30, 1956, and, if necessary, to make any proposals for ameliorating the European monetary agreement. Although the Board is only just beginning its discussions this week there seems to be a fairly general conviction that EPU will be renewed for another year without substantial alteration. It has been mentioned by the creditors that the gold ratio might be increased to perhaps 90 percent but country positions have not yet been taken on this issue and it is not yet possible to see what the balance will be.

7. The Managing Board is also giving some thought to the relationship between EPU and non-participating countries — particularly Yugoslavia and Spain. The purpose is to see whether some method might be found for multilateralizing some of the bilateral arrangements with those countries and perhaps with other countries. This study is sparked by the increasing interest which has been shown by Spain and Yugoslavia in OEEC. The Managing Board's work in this field ties in closely with the work of the Joint Trade and Payments Committee on more general aspects of bilateral agreements between OEEC countries and non-member countries which is just now under way.

8. The Managing Board has also a continuing interest in the subject of capital movements (on which it submitted a report recently C(55) 318 of December 27). It will pursue this work in conjunction with the new Committee on Invisibles. Although there is strong pressure from the Swiss delegation for more progress in liberalizing capital movements and invisible transactions, it is a very difficult field and not much may be expected from the current studies.

9. On the convertibility front there is nothing to report or to foresee at the moment. The consultative committee on problems connected with the move to convertibility (C(55) 194 final) has not met and there has been no suggestion that it should meet in the near future. Any movement will depend on the U.K. which, in turn will depend on the success of the U.K. government's efforts to contain inflation and reverse the trend of Sterling reserves.

10. On the trade side the negotiations which will take place in OEEC are beginning to take shape. They will be centred on the fulfilment of the ministerial decision C(54) 291 final taken in January 1955 concerning the extension and stabilization of intra-European trade liberalization at the 90 percent level. This decision to proceed provisionally and by stages to the 90 percent level by October 1, 1956 was taken, if you will recall, only after great heart searching on the part of the European countries with relatively more liberal commercial policies and it provides specifically that progress should be made on aspects of commercial policy other than QR's so as to provide reciprocity for the more liberal countries. More specifically, progress was envisaged in the reduction of restrictions on agricultural products, tariff reductions by high tariff countries, and reductions of artificial aid to exporters. The Steering Board is already beginning to work on its report on the fulfilment of the decision (C(54) 291) which it must submit to Council by June 30, 1956. Already the Danish and Belgian delegations have served notice that, if reciprocity is not forthcoming, they will not be prepared to maintain the liberalization of QR's at the 90 percent level.

11. It is still uncertain whether the subject of trade liberalization will be on the agenda of the next Ministerial Council. There are good reasons for not putting it on the agenda: in the first place the Steering Board would not be able to provide more than a preliminary report as a basis for discussion. Secondly, neither the U.K. nor France would be in a position to take a positive stand, and finally the discussion that might be envisaged might tend to show up the OEEC in rather a bad light just at the time when the major political decisions on the common market will be discussed. It might seem more likely that a major debate on intra-European commercial policy in all its aspects will be postponed until the autumn meeting when, in any case, a definite decision will be necessary on the maintenance of the 90 percent level.

12. Another proposal which is being discussed partly in connection with the 90 percent decision, but also in more general terms in connection with the procedure to be followed after the 90 percent stage is consolidated, concerns new methods for calculating the level of trade restrictions in each member country. The need for a new basis of calculation of percentages of trade under QR's was recognized by ministers (C(55) 291, paragraph 16) and a mandate was given to the Steering Board to suggest a revision of the 1948 base year. The Organization has not however been able to agree on a new base year.

13. The Steering Board is now giving preliminary consideration to new methods of procedure for the further elimination of QR's after the 90 percent consolidation. There is fairly general agreement that the percentage method of procedure by stages has served its purpose and that major concentration should be directed to the non-liberalized items many of which do not even appear in 1945 import figures. The principal ideas which have been put forward are (1) a percentage method for remaining restrictions with perhaps some credit

given for relaxation as opposed to removal of QR's, (2) a product by product method — i.e., a negative list approach. The Secretary-General will shortly issue a paper on this subject which, we understand, will also include proposal for tackling the tariff problem and the general problem of reciprocity. We shall report separately on this matter as soon as we find out more about it. All discussions so far have been preliminary and have even been described as "nebulous" by a member of the Steering Board.

14. With regard more specifically to tariffs, the Steering Board will watch closely the developments in Geneva and, if progress is not very great, will be under pressure from the low-tariff countries to produce proposals for reducing tariffs by some European scheme. This is a possibility which we are watching closely. The Steering Board is also in the process of drawing up a report on artificial aids to exporters in pursuance of the ministerial mandate contained in C(55) 6. This report will probably be completed in mid-February. It is regarded as particularly important by the U.K. that some progress should be made (mainly by France) since the U.K. government is under pressure from its own exporters to provide export aids to enable them to compete on the continent and in their markets. With regard to agricultural restriction, the Steering Board is disposed to await the results of the confrontation of agricultural policies and the subsequent opinion of the agricultural ministers on policy questions before undertaking a serious initiative aimed at reducing restrictions.

15. With regard to dollar liberalization, a report by the Joint Trade and Payments Committee is in the final stages preparation. It will contain both the positive and negative elements and is not likely to give rise to any new initiatives in this field. The European countries are too concerned about incipient inflation and the adverse trend of their trade balance with North America as well as the trend of U.S. commercial policy for us to hope for major new moves at the present time. The Organization will probably decide to review the whole situation again in the fall of 1956 on the basis of another dollar liberalization report. We might point out that, if the E.P.U. is hardened by increasing the gold ratio, the effect would be to increase the desirability of liberalizing dollar import restrictions.

16. This is a brief tour d'horizon of the OEEC and will give us a broad picture of possible developments over the next six months as we see them. We have not mentioned the work of the European Productivity Agency from which nothing startling seems to emerge nor the work of the vertical committees. These committees remain interesting forums for discussion but produce very little apart from general reports on their respective fields of interest.

[L.D.] WILGRESS

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402. DEA/4901-F-40

Le ministre-conseiller de la délégation permanente
auprès du Conseil de l'Atlantique Nord et de l'OECE
au sous-secrétaire d'État aux Affaires extérieures

Minister-Counsellor of Permanent Delegation
to North Atlantic Council and OEEC
to Under-Secretary of State for External Affairs

LETTER NO. 280 Paris, January 23, 1956

Reference: Your Telegram No. E-8 of January 3, 1956.†

OEEC REPORT ON DOLLAR LIBERALIZATION

The Working Party, after a long and detailed drafting session, has completed its report on Dollar Liberalization TP(56)1. Seven copies sent under cover of our letter No. 271 of January 23, 1956.† The report will go forward to the Joint Trade and Payments Committee on January 26.

2. The character of the report has not been altered substantially. It still contains references to problems connected with liberalization which go beyond those recognized by GATT and IMF as reasons for maintaining QR's. It makes no effort to hide the fact that, although the European countries have specific commitments in their wider organizations to remove QR's as soon as their balance of payments situation permits, many if not all of them, in formulating their import policies do, in fact, take other considerations into account. In OEEC reports it is difficult to prevent member countries from stating their fears and it may even be useful to have them presented and refuted insofar as is possible by reference to recent trends and by discussions of principle.

3. The value of the present report is that it presents, on the whole, a favorable statistical picture of the results of dollar liberalization measures taken over the past year. It does not support the fears of some European countries that the removal of dollar QR's will result in a tremendous influx of North American products, cause unemployment in home industries, reduce trade within Europe and with dependent areas, etc. It does, however, recognize that in some countries there remain factors for consideration apart from balance of payments factors as liberalization proceeds toward the hard core.

4. We have noted, from your telegram, that you would prefer not to have these points mentioned in the report and we have, during the drafting sessions attempted to eliminate the less desirable implications of the points put forward by Member Countries. However, the U.S. Delegation has taken a different view of the OEEC report. They have consistently agreed that Member Countries should put forward their fears regarding further liberalization (in Chapter 5, Section A) on the understanding that other Delegations should be allowed to comment on them (Chapter V, Section B). The resulting report, while not entirely satisfactory to anyone (vis the French Appendix) nevertheless provides a confrontation of views on the problem of dollar liberalization backed up with detailed and helpful statistics. We were put in a delicate situation during the drafting as we never subscribed to the mandate given to the Joint Trade and Payments Committee in December 1954 C(54) 317. Although this did not prevent us from intervening in the discussions whenever we thought it desirable, we were not able to prevent the Member Countries from pointing up problems which they were clearly requested by the Council Mandate to study.

5. Following are the results of the Working Party's consideration of the specific points you raised in your telegram No. E-1278 of December 13[42] and No. E-8 of January 3.†

6. With regard to the implication of reciprocity from the U.S. for further reduction of QR's in Europe, you did not indicate any particular paragraphs which you wished changed. We take it that you do not object to the statement in paragraph 10 of the conclusions that "further (US) measures are desirable in order to assist in the creation of firm and lasting foundations for a multilateral system of trade and payments..." The Working Party are agreed on the principle that there is no question of requiring reciprocity for removal of dollar restrictions but it has emphasized the importance of a more liberal US commercial policy. We should be interested to know specifically what sentences you would wish changed.

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[42] Voir/See Volume 21, Document 504.

7. Chapter 5, paragraph 18 (formerly paragraph 33). The Working Party agreed to a revision of the first sentence of this paragraph which we suggested in order to take account of the point of principle mentioned in your telegram E-1278, paragraph 3. It now reads: "Although liberalization of dollar products might be expected to have some repercussions on intra-European trade in the process of a re-establishment of competition, it is significant that no adverse repercussions have been felt so far." We noted your view that the positive statement in paragraph 7 (formerly paragraph 5) of the conclusions was considerably weakened by the emphasis placed on the detailed review of the obstacles to be overcome. We, of course, agree but, in view of what we have said above, we hope you will understand that it was not possible for us to secure the elimination of these sections.

8. Paragraph 9 (formerly paragraph 7) of the conclusions has been modified considerably. The last sentence which you wish deleted has been considerably toned down and is intended to be a reference to the hard core decision of GATT. It now reads: "While the need to abolish discrimination towards the dollar area must be accepted as the long term objective, it is clear that there are some products for which, for varying reasons, there will be little possibility of removing quantitative restrictions in the near future. This is still not a satisfactory sentence from our point of view, and we shall make further attempts to alter it. One of the difficulties is that it has been decided not to refer specifically in the report to commitments in other organizations. With regard to paragraph 31 of Chapter 2 (formerly paragraph 67 of TP/WP6(55)19, Second Revision). A new text was agreed by the Working Party which took into account the comments in your telegram No. E-8 of January 3.

9. The report has been somewhat strengthened by the insertion of a new introductory paragraph to Chapter 5. In this paragraph we have inserted a statement to the effect that relaxations of quantitative restrictions from the dollar area "apart from their underlying desirability, represent an important step on the trade side which will facilitate the move to convertibility." The United Kingdom representative was very hesitant about agreeing to even this modified statement. He did not wish to have any implication that the removal of dollar QR's was either a necessary preliminary step to the move to convertibility or a necessary result of convertibility.

10. As the Joint Trade and Payments Committee will probably consider the report on January 26, you will not be able to send us new instructions in time for that meeting. However, we gather from your reference telegrams that you would accept the report in its present form. We intend to make a statement to the Committee setting out our general views on the report which are reflected in your instructions. If, after reading the latest revisions of the report contained in TP(56)1, you have any further specific amendments to propose we hope you will be able to send them to us not later than February 1st. You will, of course, appreciate that since the report is now out of the Working Party stage it is a more serious and difficult matter to propose amendments.

K.J. BURBRIDGE

403. DEA/4901-F-40

Extrait d'un télégramme du représentant permanent
auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures

Extract from Telegram from Permanent Representative
to North Atlantic Council and OEEC
to Secretary of State for External Affairs

TELEGRAM 189 Paris, February 13, 1956

CONFIDENTIAL

Reference: Our letter 439 of February 7/56.†

OEEC DOLLAR LIBERALIZATION REPORT

The Council considered the dollar liberalization report C(55)22 on February 10. No general debate developed on the report itself which, with some amendments proved acceptable to all delegations. We made a statement of our views including points made in your previous instructions. We referred to the present high level of activity in Europe and stressed the importance of member countries seizing on the present favorable situation to adjust their economies to outside competition and to make progress in eliminating QR's as quickly as their individual balance of payments positions permit. We stated our view that the report gave too much emphasis to the obstacles to further progress which tended to obscure the fact that the balance of payments position should be the sole criterion. We stated that our acceptance of the report was predicated on the understanding that it in no way implies a derogation from member countries commitments in this regard in other organizations.

. . .

6. With regard to future work on dollar restrictions, Council agreed in principle with the Joint Committee's proposal (paragraph 11 of conclusions) that a further review of the situation should be reconvened during the preparation of the review. In addition, Council approved a proposal by the Economic Committee (C(56)30) that a parallel study should be carried out "covering some aspects of the economic background of the dollar liberalization problem including (1) relative rates of development of United States and European imports and national products, (2) factors limiting the expansion of European (group corrupt) dollar area whether they may be traced to Europe or to the United States, (3) the relative position of European and American goods in third markets, etc.

7. The Secretary-General has been charged with the preparation of a mandate for this background study. If you have any further points to suggest for inclusion in the mandate, please send us instructions as soon as possible.

[L.D.] WILGRESS

404. DEA/4901-F-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], April 26, 1956

CANADIAN ATTITUDE TOWARDS THE OEEC

You may have seen telegram No. 634 of April 24 from Mr. Wilgress; a copy is attached, together with a copy of our telegram No. E-378 of April 19, to which Mr. Wilgress referred.

We shall be sending a carefully considered reply to this message when we have had an opportunity to consult other Departments, but we thought we should give you a preliminary reaction in case Mr. Wilgress mentions this question.

There is no very great difference of view between Mr. Wilgress and those concerned in Ottawa about the part the OEEC should play, or about the general form Canada's participation in its activities should be taking. On a number of occasions, however, we have been reluctant to participate in certain individual OEEC projects, sometimes because we thought Canadian participation in these projects inappropriate for one reason or another, and sometimes because we could not make available the necessary experts or detailed technical briefs.

The particular project which is dealt with in our telegram No. E-378 will in our opinion be a highly academic one which it appears to us has been devised as a means of making work for the OEEC. This work would duplicate efforts that are already being made in the United Nations. This seems to be a much more appropriate subject for the United Nations than for the OEEC, since a great many countries in the United Nations, which are not members of the OEEC, are of importance in any worthwhile analysis of the causes and effects of fluctuations of economic activity. When we sent this telegram we were conscious too of our inability to make available for these discussions any official expert enough in this highly technical field. It was not our intention to reflect an unduly negative attitude towards the OEEC with which we believe we have been co-operating reasonably well.

J. L[ÉGER]

[PIÈCE JOINTE 1/ENCLOSURE 1]

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs

TELEGRAM 634 Paris, April 24, 1956

CONFIDENTIAL
Reference: Your telegram E-378 April 19.

CANADIAN ATTITUDE TOWARDS OEEC

In recent instructions, and particularly in your letter E-205 of April 4† and telegram E-378, you have set out in some detail your attitude towards the OEEC. While we have not detected any change in principle from the policy which has guided us in our dealing with OEEC ever since its inception, we nevertheless feel bound to comment on the practical application of our policy in the day to day working of the OEEC in the practical situation which now faces us—particularly with respect to its political implications.

2. It is one thing to hope for the speedy end of OEEC (at least in its trade and payments manifestations) and a return to convertibility and the wider trading system in which GATT and IMF are the sole arbiters of trade and financial policy. It is surely quite another thing to expect that by declining invitations to take part in OEEC studies — when the United States is prepared to take part in them — that we are hastening the decline of OEEC. In our view this type of Canadian attitude has no effect whatsoever except to raise the eyebrows of European representatives.

3. The reason they raise their eyebrows, of course, is that we are the advocates of North Atlantic economic collaboration under Article 2 of NATO but we always seem most hesitant to give it any practical expression in OEEC. If, by declining to take part in OEEC studies, there were any possibility of quickening the move to convertibility, the decline of OEEC in the trade and payments field and the strengthening of GATT and IMF, then it would be most reasonable for us to remain aloof, but we fail to see what effect we are having by our attitude.

4. The effect would seem to be just the opposite. The full participation of the United States and Canada tends to influence European decisions in the direction we wish. (The United States has consistently played a full and influential part in OEEC discussions).

5. An example of this is the United States and our own participation in the dollar liberalization study which was strongly influenced by our views. The advantage of our associate membership is that we can influence decisions by our participation without adhering to decisions which we feel are retrograde or too regional in conception. If we fail to make use of our associate membership, whatever influence we might have is wasted or neutralized.

6. One important point that we must reemphasize is that the OEEC is a very highly regarded institution on the Continent. Also it is expressed U.K. policy that it should continue, even after the move to convertibility, to be a forum for European consultation and cooperation. Politically and technically it is an important organ for European cooperation in a large number of fields. It is also a modifying influence on some of the more adventurous projects, such as the common market initiative of the Messina Powers, which would most likely develop along less desirable lines if OEEC were not a vigorous organization. This modifying influence is increased with full participation, within the limits of associate membership, of the North American countries.

7. We fully appreciate the dangers of being drawn into agreements with which we are not entirely in accord, but avoidance of embarrassment should not be beyond us if we adopt a more flexible attitude toward OEEC discussions. In our view the advantages of participation: i.e., of shaping North Atlantic or fully multilateral solutions out of purely European ones, outweigh the risks of embarrassment.

8. Finally, the strength of the desire for European cooperation must not be underestimated. There is no evidence to support the hope that the European continental countries will be prepared to give up their European economic institutions and rely on GATT and IMF as the sole arbiters of international economic policy. The evidence is all in the other direction. If the common market project is brought to fruition, the continuation of OEEC as

the organization for establishing links between Common Market countries and the rest of Europe would seem most likely. The maintenance of a strong North American influence in such an organization would seem to be wise.

9. Unless NATO were prepared to take over the economic functions of OEEC, this organization is likely to remain the main instrument for economic cooperation in the North Atlantic area for day to day decisions for as long as such a requirement exists. As such, it will pose many of the practical problems for which consultations regarding the political repercussions of economic collaboration in the North Atlantic area can be held in NATO. Our intervention in such NATO discussions would be weakened to the extent that we remain aloof from OEEC. If we make it clear that our sole preoccupation with OEEC is to see it, and the close European and North Atlantic cooperation that it embodies, disappear, then our motives in NATO will be questioned...a result which could have considerable political repercussions.

10. We have felt these comments might be useful not because, and we would emphasize this point, we wish to raise doubts about basic Canadian policy toward OEEC. We would hope that the trade and payments manifestations of OEEC could be transferred as soon as possible and to as great an extent as possible to GATT and IMF. But, as you are fully aware, the OEEC is now exploring several new fields of action. We ourselves, in this telegram, have suggested certain lines along which its work might in future develop. We cannot, simply by holding aloof, prevent it from entering these new fields if the European members wish to push this ahead; nor can we expect thus to influence their decisions at this evolutionary stage. What we should like to suggest, therefore, is that by a less rigid Canadian attitude, together with fuller participation in discussions and studies, we are more likely to have some success in contributing to the development of the organization's efforts along lines which we consider acceptable.

11. In another telegram† we are reporting on the invitations which were extended to the associate countries to participate in some of the work of OEEC arising out of the ministerial directives.

[L.D.] WILGRESS

[PIÈCE JOINTE 2/ENCLOSURE 2]

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM E-378 Ottawa, April 19, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your telegrams 553,† 571† and 572.†

OEEC STUDIES OF ANTI-CYCLICAL MEASURES

We are not enthusiastic about the developments reported in your telegrams under reference. We agree with your assessment of the proposed OEEC study of anti-cyclical measures, as contained in paragraph 5 of your telegram 553. This appears to be another manifestation of the search by OEEC for new functions to offset the decline in its influence. While this is not the occasion to go into the question of the functions and usefulness of OEEC as a whole, we cannot believe the organization will prove its value or add to its prestige by an attempt to deal with the question of fluctuations in economic activity, which is a worldwide problem that can affect most trading countries, as though it were susceptible to an OEEC solution. This problem it seems to us, can be dealt with more effectively on a broad basis rather than within the confines of any regional group like the OEEC. As you know, we look with considerable disfavour upon projects in OEEC which duplicate the efforts of other established international organizations which are better equipped and are specifically designed to deal with problems of worldwide importance. For example there is as you know as annual United Nations study of employment which covers this field fairly well.

2. We would leave to your good judgement the question of how far you can go in discouraging this project; but if it goes forward we are not in favour of participating ourselves. Our participation in the annual review, which was specifically approved by Cabinet, gives adequate opportunity for an exchange of views on Canadian policy in the economic field.

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405. DEA/50105-F-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

SECRET Paris, May 14, 1956

Dear Mr. Pearson,

I am submitting herewith three copies of a memorandum on "New Initiatives in the Economic Field" which we have prepared for your use in connection with the responsibilities placed upon you as a member of the NATO Committee of Three.[43]

You will observe that the main proposal set forth in this memorandum is that the United States should take the lead in a renewed drive for the convertibility of currencies and that, in order to provide political and North Atlantic content to this initiative, both the United States and Canada should become associated with the European Monetary Agreement and assume full membership in the OEEC. In order not to drive the neutrals out of OEEC we are careful to recommend no change in the functions or the name of that Organization.

The advantages for Canada of this approach are obvious. The economic advantages for the United States are just as great but may be offset by the implication that they may be expected to underwrite the European balance of payments with the dollar area. We believe that this danger can be minimized by a hedging around of the obligations they would assume and that this could be done by putting forward definite reservations when the proposal is announced. Canada could make similar reservations.

The political advantages for the United States will lie in the fact that for the first time since the Republican Administration came into office they are taking a constructive initiative in regard to Europe, instead of merely carrying on what had been initiated by the previous Democratic Administration. It is to be hoped that this will be sufficient to overcome the lack of interest in economic questions displayed by Mr. Dulles and the apparent indifference of Mr. Humphreys to international co-operation in the financial field.

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[43] Pour de la documentation à ce sujet, voir volume 22, chapitre III, 3ᵉ partie.
For documentation on this subject, see Volume 22, Chapter III, Part 3.

We have not attempted to work out all the implications of these proposals, because we wished to provide you as soon as possible with a preliminary report. This should assist you in securing expert advice in Ottawa and thereby enable you to come to a decision before you leave for Washington as to whether or not you consider the memorandum opens up a sufficiently promising avenue for further exploration.

We shall be glad to undertake any specific enquiries into points arising out of the memorandum if you, or those advising you, consider that more detailed information is required on any such points.

Yours sincerely,
L.D. WILGRESS

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

NATO COMMITTEE OF THREE
NEW INITIATIVES IN THE ECONOMIC FIELD

The previous investigations on what could be done to implement Article 2 took place in quite a different atmosphere. In the past, the threat of Soviet aggression was a strongly binding cement which held the Alliance together. It was consequently not urgently necessary to reorganize the non-military aspects of collaboration within the North Atlantic area.

2. It was quite evident from the recent Ministerial Meeting, that the Ministers were in unanimous agreement that the new situation of competitive co-existence emphasized the need for strengthening the unity of the Alliance by promoting increased collaboration under Article 2.

3. In this regard, it is evident that the objections which were raised in the past to closer practical economic ties in the North Atlantic area will have to be reviewed in the light of the changed political atmosphere and its dangers for the unity of the Alliance. It may be necessary to adopt a more flexible attitude to the methods of achieving our economic aims which will provide the stimulant for unity and closer collaboration in the North Atlantic area.

4. The problem of increasing economic collaboration in the North Atlantic area has two aspects: 1. The practical measures which might be adopted to increase trade and improve financial relations, 2. The organizational possibilities.

Practical Measures

5. The most important single economic dividing force in the North Atlantic area since the end of the war has been the division of the area into two currency blocks, viz. the EPU area and the Dollar area. All OEEC countries are committed to the objective of convertibility and a wider trading area, but interest in achieving convertibility has noticeably slackened in Europe for a number of reasons. Firstly, the inflationary tendencies in the United Kingdom last year, coupled with an adverse trend in the balance of payments, forced the United Kingdom Government to give up the leadership of the drive to convertibility. This leadership was not taken up on the continent where an adverse trend in the dollar balance

was also experienced and scepticism about the possibility of ever reaching a stable dollar balance is widespread.

6. The United Kingdom position is beginning to show hopeful signs of improvement and it may be that before the end of this year convertibility may be a practical possibility, but the United Kingdom has shown no inclination of her willingness to take the lead again.

7. In view of the general stalemate with regard to convertibility in OEEC countries, it may be necessary for a new initiative to come from the North American continent. If such an initiative is feasible — and the political necessities of the present provide a strong lever to dislodge purely economic considerations — *it might be worthwhile sounding out the United States Government on the possibility of providing a new stimulus to convertibility.*

8. The stimulate that might be necessary would have to be the subject of detailed study and negotiations. An agreement to provide credit up to agreed limits through the IMF would, as was always envisaged, be fundamental to any negotiations. In addition, however, the political desirability of tightening practical economic ties with the European members of the Alliance[44] suggests that Canada and the United States might consider the extension of marginal short term credit through the proposed European Fund.[45] This would involve a form of participation in the European Monetary Agreement, but need not necessarily include North American participation in multilateral settlements.

9. The United States has already agreed that the initial resources provided by them to the EPU should be transferred to the European Fund. An agreement by the United States and Canada to provide relatively small additional amounts of credit through the European Fund might have a significant impact on European countries — particularly the weaker countries. It would also greatly enhance Canada's influence in European economic affairs during the transition to full convertibility.

10. Finally, the United States and Canada might look into the possibilities of strengthening their ties with OEEC with a view to forming what would in fact be a North Atlantic Economic Organization — although it need not be presented as such — to tackle the problems of convertibility and its immediate consequences.

Organizational Problems

11. The question of full membership of the North American countries in the OEEC raises many problems, not the least of which are the entrenched and rigid positions of those who favour a world-wide solution to the West's economic relations (GATT and IMF). These positions will have to be carefully reviewed in the light of the necessity of increasing political and economic collaboration in the North Atlantic area.

12. On the political side, there is the problem of overcoming neutral opposition to full membership for the Associated Countries (United States and Canada) in OEEC if the initiative should come from NATO. This would have to be carefully handled and it would be essential to maintain a sharp division between NATO and OEEC. The neutrals, particularly the Swiss, have always been in favour of the fullest participation by the Associated Countries in the OEEC and if the question of full membership is carefully presented to them their fears may not prove an insuperable obstacle — as they would be if OEEC were to be linked in any way with NATO.

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[44] Note marginale :/Marginal note:
tighten without loosening ties to others [L.B. Pearson]

[45] Note marginale :/Marginal note:
what is this [L.B. Pearson]

13. Full membership in OEEC would not necessarily imply that the North American countries would have to partake in all of the decisions of the Organization. Article 14 of the OEEC Convention provides that:

> "Unless the Organization otherwise agrees for special cases, decisions shall be taken by mutual agreement of all the Members. *The abstention of any members declaring themselves not to be interested in the subject under discussion shall not invalidate decisions, which shall be binding for other Members.*"

Although the OEEC has seldom resorted to the provisions of Article 14, it could be used to free the North American countries from purely European decisions which might be necessary during a transitional period to convertibility. There are a number of other even more flexible arrangements that might be envisaged.

14. A major question to be answered is whether there is really any economic necessity for the North American countries to join the OEEC when the pressures of a move to convertibility will imply the need for trade and payments discussions to take place in the GATT and IMF. On this question, we would agree that as many of the trade and payments functions as possible should be transferred as quickly as possible to the wider organizations. However, the problems of regional transition to a wider system are sure to be difficult and some of them will be relatively long term problems. It may be that there will be a need for strong North American influence and participation to ensure that the progress toward a wider system maintains its initial impetus.

15. It must also be kept in mind that, as the trading potential of the USSR and Satellite Countries develops, there will be augmenting pressure for increased trade and financial relationships between the European countries and the USSR. The possibility that the USSR, by appropriate policies, might be able to provide an alternative to convertibility must at least be kept in mind. The political and defence implications of this possible trend would suggest that North American influence be increased in the OEEC and that, as soon as practicable, the European countries be drawn, through the vehicle of convertibility, into the closest trade and financial relationships with the North American countries and the rest of the Free World. The alternative of closer economic relationships with Eastern Europe, for which there is some support, particularly in European opposition parties, has been raised in the past (viz: in the Council of Europe) and the USSR might conceivably make it a practical alternative.

16. The political advantages of North American membership in OEEC are obvious. It would provide the organizational focal point for collaboration under Article 2 which neither the present OEEC nor NATO has ever accomplished. It would provide an expression of North Atlantic non-military solidarity which could never be achieved in GATT and IMF. Finally, it need not be considered as a permanent necessity but as a transitional phase leading to greater reliance on the wider organizations when the objectives and dangers of competitive co-existence become clearer. We would regard our participation largely as a political move which would not endanger our economic objectives, but on the contrary would provide a more flexible basis for their realization.

17. One political danger which would have to be dealt with positively concerns the reception which might be given to the development of a North Atlantic regional block by the developing countries who might be inclined to consider an extended OEEC as an adjunct of NATO military policy. This possibility would suggest that the sharpest division should continue to be drawn between the defence aspects of NATO and the economic objectives of OEEC. If the closer links between the North American countries and OEEC were accompanied by an increased drive to aid the developing countries through the U.N.

and if convertibility and a wider non-discriminatory trading area — which could benefit all countries — were the stated immediate objectives of the extended OEEC, scepticism of the developing countries might be reduced. These stated objectives might include an affirmation by the North Atlantic countries of their faith in GATT and IMF and their aim to make the fullest use of these organizations.

18. In summary, we believe that some new initiative is probably needed from North America if the move to convertibility is to be stimulated again in the near future. The economic situation in Europe is increasingly favourable for such a move although governmental interest in its realization has flagged. A strong and co-operative attitude from North America, together with an offer to discuss the problems involved on a North Atlantic basis, might provide the required practical and psychological push needed.

19. The alternatives available for consideration seem to be very meagre. There is no interest in, and almost unanimous opposition to, increasing the economic functions — as opposed to consultations — in NATO. The Europeans, including the United Kingdom, are strong supporters of OEEC which, we feel, is certain to continue in existence in one form or another for a long time and may tend to move in a more narrow regional direction. Thus, if we wish to do anything practical to unify the NATO countries in the economic field we have little choice other than to reinforce and extend OEEC. The GATT and IMF are not likely to provide the psychological requirements of increased unity in the area of the Alliance.

20. We fully realize the difficulties involved in taking any action on the suggestions we have put forward. But, if there is to be any result from the NATO Committee of Three, economic views will have to be balanced more heavily than in the past with political requirements, based on the exigencies of competitive co-existence and the necessity of maintaining the unity of the Alliance.

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406. DEA/4901-F-40

Le sous-gouverneur de la Banque du Canada
au chef de la Direction économique

Deputy Governor of Bank of Canada
to Head, Economic Division

CONFIDENTIAL Ottawa, May 16, 1956

Dear Mr. Ritchie,

I write to acknowledge your letter of the 7th† (which we have already discussed) and to confirm that I think it would be most desirable to have an inter-departmental meeting attended also by the officials who were present at the recent NATO Ministerial Council meeting to discuss, among other things, the questions raised in Mr. Wilgress' telegram of April 24 on the Canadian attitude towards OEEC.

I believe that Mr. Wilgress' message deserves a considered reply and provides a very good occasion to re-appraise our attitude in this matter. It seems to me that any real embarrassment in Mr. Wilgress' position arises out of the stress which Canadian representatives have in the past placed on Article II of NATO (implying, as this might seem to do, some special and exclusive forms of economic cooperation among the members of the alliance) rather than on the instructions he has received in regard to our participation in various OEEC activities. One would hope that the present Three Wise Men exercise in NATO will result in a general clarification of Article II and eliminate this possible source of embarrassment.

Our general line with regard to OEEC has, I think, been clear and consistent and, on most issues in accordance with Mr. Wilgress' own views. There is no doubt that the European countries place a high value on the association with each other in the OEEC and wish to maintain this association even after the particular administrative functions which gave rise to OEEC, e.g. the partitioning of American aid, the extension of large credits through EPU, the intra-European trade liberalization programme, have disappeared or lost some of their importance. This desire is a natural one which we should not discourage. The difficulty, from our point of view arises (a) when the attempt is made to have OEEC rules take precedence over the broader international obligations to which some members of OEEC are subject, e.g. through the IMF and GATT and (b) when the attempt is made to infuse life into OEEC by giving it administrative or other tasks which it is not really qualified, by reason of its regional character, to undertake or which are already being performed adequately elsewhere. The prime example of (a) is, of course, the attitude of some OEEC members towards discrimination and convertibility. A good example of (b) is the abortive anti-cyclical study, with respect to which the sceptical Canadian attitude (our telegram 378 of April 19) provoked Mr. Wilgress' telegram of April 24.

I suppose that so long as the OEEC organization exists it will be under continuous or intermittent pressure (originating partly in the permanent staff and permanent representatives and partly in the weaker countries) to maintain a special set of trade and payments rules and also to assume tasks which are already being done or could be better done elsewhere. The organization is therefore potentially dangerous to us, especially in the trade field. Mr. Wilgress may well be right, however, in thinking that we can reduce the dangers by taking part in a more forthcoming way in some of its activities than we have done, always subject to the proviso that we do not thereby weaken the authority of the non-regional bodies having jurisdiction in the field of trade and payments. I agree, for example, that the dollar liberalization study of the OEEC was a very useful exercise and that our active participation in it was, in the event, well warranted.

Moreover, in spite of the potential danger of OEEC to us in the trade field, it is true, as Mr. Wilgress says in paragraph 9 of his telegram of April 24, that if we make it clear that our sole preoccupation with OEEC is to see it disappear, our motives will be suspect. On the other hand our economic interests will not be served by building OEEC up. The right course for us is probably that enjoined in the New Decalogue:

"Thou shalt not kill, but needst not strive
Officiously to keep alive".

Yours sincerely,
L. RASMINSKY

407. DEA/4901-F-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL Ottawa, June 4, 1956

Attached is a memorandum† from Economic Division and two telegrams dated June 1,[46] the first one on the Canadian attitude to the OEEC and the second on the NATO Committee of Three.[47]

One of the main themes developed in these three documents is that we should not take any initiative to seek full membership for Canada in the OEEC and that we should even be inclined to question the wisdom of the United States taking such an initiative. It is pointed out, however, that if the European members on their own initiative request Canada and the United States to become full members, we will have to consider such a request very sympathetically. After discussing this whole matter with Mr. Ritchie, I am inclined to agree with the line he recommends, although I am somewhat hesitant to suggest that we should take such an attitude vis-à-vis Canadian participation in the OEEC when the whole subject of economic cooperation is to be discussed within the context of your NATO study. I would therefore suggest if you have a minute that Mr. Ritchie and myself discuss this matter with you before the attached telegrams are despatched.

J. L[ÉGER]

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408. DEA/4901-F-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM E-551 Ottawa, June 7, 1956

CONFIDENTIAL

Reference: Your memo on new initiatives in the economic field.
Repeat London, Washington (Information).

NATO COMMITTEE OF THREE

The following comments result from study of your memorandum at the official level.

2. As you have pointed out, the lack of any recent progress by the United Kingdom in the direction of convertibility and non-discrimination is basically due to the internal inflationary situation. Some other OEEC countries, notably Germany, have continued to make substantial progress. In the case of all the OEEC countries it seems to us that apart from their internal economic situations the basic factors in any reluctance to make faster progress are protectionist influences and doubts about U.S. commercial policy and the future level of

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[46] Les documents qui suivent./Immediately following documents.

[47] Les deux télégrammes ont été signés et transmis le 7 juin.
The two telegrams were signed and sent on June 7.

U.S. economic activity. We do not think a modest or even a fairly sizeable contribution of credit through the European Fund would overcome the effect these influences are exerting. These countries are of course aware that to support convertibility moves stand-by credits would be available from the IMF in amounts very much greater than any practicable contributions the United States or Canada could make to the European Fund.

3. Full Canadian and U.S. membership might result in a considerable change in the character of the organization, lessening its value to the Europeans themselves with the probable result that they would turn more and more to other and sometimes still smaller regional groupings. In our opinion a large part of the value the European members attach to the OEEC results from the fact that it is basically a European organization with only a loose and informal association with the United States and Canada.

4. We would suggest that Article 14 of the Convention would make it more, not less, difficult for us to be full members. We could not declare ourselves not interested in a discussion of, say, intra-European liberalization. Surely we would therefore have to veto decisions which were contrary to our interests, whereas under the present form of association we can turn a blind eye to certain OEEC policies which we do not favour but are prepared to tolerate.

5. We think the present form of North American association with the OEEC is about right, though we will be reviewing the matter in connection with the work of the Committee of Three. Accordingly we ourselves would not wish to take any initiative with regard to North American membership, and we would probably question the wisdom of any U.S. proposal to do so, although we would first have to consider whatever reasons they thought valid. If the European members of their own volition and after considering where their own interests lay were to come to us with such a proposal it might be quite a different matter.

6. We shall in any case, however, do our best to take a more active part in OEEC activities.

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409. DEA/4901-F-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM E-552 Ottawa, June 7, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Your telegram 634 of April 24.
Repeat London, Washington (Information).

CANADIAN ATTITUDE TO OEEC

Although our primary interest is in the work of more broadly based organizations, i.e., the GATT and the IMF, we recognize that narrower groups such as the OEEC or even the Messina countries will find a role to play. We should support and encourage their general lines of activity — so long as they are not too inconsistent with the work of the GATT and IMF. There are some functions the European countries will wish these groups to carry out to which we would have no right or desire to take objection.

2. We still believe it is in our own national interest and in the general interest that the work of the GATT and the IMF should continue to be as effective as possible. We would hope that the principles espoused by these organizations would pervade the narrower organizations and exert a wholesome influence, although we cannot always count on this.

3. Having said this, we agree that the time has come for us to take a more active part in a number of OEEC activities. We agree that by doing so we may have some helpful influence on the trend of the discussions or the nature of the decisions taken.

4. We are giving further consideration to the relationship between the OEEC and NATO and to the question of whether full OEEC membership for Canada and the United States would be desirable. Our opinion at the official level is that any initiative from Canada or the United States on the question of full membership would be unwise and that the present form of association is about right. We are explaining our reasons in a separate telegram.

5. Our intention is to play a more active part in OEEC activities within the limits set by the very real strain this will impose on officials concerned in the interested departments. We would plan to have senior officials from Ottawa attend important OEEC meetings more often than in the past, (and possibly ministers on occasion) and to try to provide fuller briefs for meetings of interest to us which the delegation covers. We shall have to consider what arrangements we can make here to provide quicker and more comprehensive interdepartmental examination of the questions which arise in OEEC meetings and committees. You will no doubt wish to consider just what additional committees we should participate in and what personnel problems may be involved for the delegation in terms of additional and possibly conflicting meetings.

6. Two particular fields in which we might wish to take a more active interest occur to us. One is the European productivity agency, in which the extent of our interest would be considerably enhanced by any possibility that it might be of service in connection with technical assistance to underdeveloped countries. Another is the Committee of Ministers of Agriculture, to whose meetings we would wish to send senior officials more often than in the past.

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410. DEA/4901-F-3-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 890 Paris, June 11, 1956

SECRET. IMPORTANT.
Reference: Your telegram E-551 June 7.
Repeat London, Washington (Information).

NATO COMMITTEE OF THREE — OUR MEMO ON NEW INITIATIVES IN THE ECONOMIC FIELD

We appreciate greatly the comments resulting from study of our memorandum at the official level. We have anticipated in our memorandum several of these comments but it may help to bring about a better understanding of our motives in submitting the proposals if we take the liberty of giving you the following comments on the different paragraphs of your telegram under reference.

2. As regards paragraph 2, we did not contemplate that the United Kingdom could move in the direction of convertibility and non-discrimination immediately. We appreciate that further progress in dealing with their internal economic situation is required. We did feel, however, that definite expression of United States support at this stage would revive once more interest in and prospects for the early realization of convertibility and non-discrimination. While the main support would have to come from the stand-by credits available from the IMF, we felt that modest contributions of credit through the European fund by the United States and Canada would serve as a gesture to give concrete evidence of North American willingness to cooperate in the move towards convertibility.

3. As regards paragraph 3, we are fully aware that full Canadian and United States membership in OEEC would change the character of the Organization. However, convertibility would bring about the liquidation of EPU and the Europeans have been wondering what work would then be left for the Organization to do. It was to stress the fact that in a convertible world the need would not be so much for a purely European Organization as for a North Atlantic one that we felt European countries would accept the change in the character of the Organization that Canadian and United States membership would imply.

4. As regards, paragraph 4, we called attention to Article 14 of the convention in order to indicate that it would still be possible for the Organization to deal with purely European questions. We do not feel that in a convertible world, or even in the period approaching convertibility, there would arise conflicts of interest between North America and Europe which would make it embarrassing to Canada and the United States to resort to the veto.

5. As regards paragraph 5, we did not contemplate the Canadian government taking any initiative with regard to North American membership. The way we see it is that Mr. Pearson is a member of the NATO Committee of Three which has been given the mandate of considering ways and means of developing greater unity within the Atlantic Community. The division of the Community into two currency blocs, the EPU area and the dollar area, is a divisive force and therefore one which the Committee must necessarily take into account. We felt that this was a subject which Mr. Pearson in his personal capacity as a Member of the Committee of Three might first wish to discuss with the United States Government and then, if they raised no objection, with his two colleagues on the Committee of Three. According to present tentative arrangements, it would then be left to Mr. Pearson to pursue the subject further with the United Kingdom Government while the two European ministers would be responsible for preliminary discussions with the other European members of NATO.

6. Besides the divisive force stemming from the existence of two currency areas, NATO is constantly being urged to do more in the economic sphere, for instance, the special NATO supplement of *The Scotsman* contains an article by Professor James Meade in which he suggests certain economic subjects suitable for consideration by NATO. The present situation is that NATO could not discuss these subjects because they have no economic organization to which to refer them and the European countries would oppose setting up such an economic organization because it would duplicate what is being done in OEEC. Yet, these subjects could not be discussed in OEEC from a NATO point of view for the very reason that Canada and the United States are not full members of the Organization. Thus, once again we run around the circle until we come to the place where we started. Full Canadian and United States membership in OEEC would resolve this dilemma.

7. In my telegram 578 June 7† on the United States attitude towards European integration, I indicated the dangers both for GATT and the IMF of a European preferential area coming about as a result of the proposal for a common market. Very shortly, Mr. Spaak will be speaking to the ambassadors of the United Kingdom and other OEEC countries to ask if their governments are prepared to join the six Messina countries in further elaboration of the proposals for Euratom and the Common Market. Since the United Kingdom cannot contemplate discrimination against British trade in the important European markets, it is probable that their answer will be in the affirmative, although they no doubt will plead for time to discuss the subject with their Commonwealth partners at the conference being held in London towards the end of this month.

If the United Kingdom decide to participate, the Scandinavian countries probably will do likewise. Although the objective of a common market or a genuine customs union will be kept in view, at least until the GATT waiver has been secured, it is easy to see that the difficulties in the way of attaining a genuine customs union are so formidable that later on the sole binding force holding the countries together in their approach to a common market will be protectionism arising out of the fear of North American competition. The end result, therefore, will be a European preferential area which will confront the North Atlantic community with an even more potent divisive force than the present existence of two currency areas. For Canada, it will confront us with the choice we have been desperately trying to avoid. These are additional reasons why we see the necessity for active assumption by the United States of leadership in the economic field and why we consider that the NATO Committee of Three offers a unique opportunity for a thorough and frank exploration of all current tendencies with their possible consequences on the solidarity of the North Atlantic Alliance.

[L.D.] WILGRESS

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411. DEA/4901-F-4-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM EE-428 Ottawa, December 12, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your telegram 3158.†
Repeat Washington (Routine) (Information).

DOLLAR LIBERALIZATION EXERCISE

1. We agree that you should take a reasonably active part along the lines suggested in your paragraph 4. We would suggest you should use last year's instructions as a general guide (see telegrams E-1097 of October 25/55,[48] E-1278 of December 15/55[49] and E-8 of January 3/56†). We found that this exercise last year turned out to be more useful than we had expected and some of the dangers we had foreseen did not materialize.

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[48] Voir/See Volume 21, Document 502.

[49] Voir/See Volume 21, Document 504.

2. We will send you more detailed comments as the work proceeds in the working party and as we have an opportunity to study the individual country submissions.

3. Your paragraph 6: We agree.

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412. DEA/4901-F-4-40

Note du sous-ministre adjoint du ministère des Finances pour le chef de la Direction économique[50]

Memorandum from Assistant Deputy Minister, Department of Finance, to Head, Economic Division[50]

RESTRICTED Ottawa, December 17, 1956

OEEC "DOLLAR LIBERALIZATION" EXERCISE

While in Paris last week I attended two of the four sessions of the "Experts" Meeting on Dollar Liberalization. Dana Wilgress (also Hyndman and Miss Burwash) urged me to take part; so did Isaiah Frank and Ethel Dietrich. The Delegation will be reporting on the meeting as usual; this is just to supply a couple of personal observations.

2. I think that the last OEEC Report on Dollar Liberalization is a useful document, giving a convenient and comprehensive survey of progress (or occasionally retrogression) in all sections of the field. The U.S. people say they have used it to very good effect in Congress, to controvert claims that tariff concessions are neutralized by Q.R.'s. Unless and until some other body, such as GATT, produces a similar document I think the OEEC study should be continued.

3. I am somewhat doubtful whether the special Meeting of "Experts" is really necessary, in addition to the ordinary meetings of the Working Party concerned, in order to produce the Report. However, in OEEC we are in no position to call the tune. If we can, without great inconvenience, put someone from Ottawa into the Experts' meeting next year I think we should give the exercise as a whole that much encouragement.

4. The Experts' Meeting ranged very widely over what was happening in all the OEEC countries and both the associated countries. It was all pretty hasty and superficial and I doubt that it will influence the rate or direction of dollar liberalization. I do think, however, that the exercise as a whole, including the Report, acts as a rather useful "extrovert" influence in an OEEC which, under the impetus of the Free Trade Area, is all too likely to be "introvert" during the next year or two. Frank made this point in his closing remarks and I supported him.

5. Apart from a statement by a youthful Norwegian, who is stationed in Paris and did not come from Oslo, there was no suggestion of "bargaining" European reductions in Q.R's against North American reductions in tariffs. On the whole I was very pleased by the fact that several delegates laid heavy emphasis on the advantages to their own countries of eliminating discrimination; and most of those that did not say so explicitly seemed to accept the proposition implicitly.

A.F.W. PLUMPTRE

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[50] Note marginale :/Marginal note:

Mr. Grandy: A copy of this [memorandum] and of Wynne [Plumptre's] report on Free Trade discussions should go to the USSEA. A.E. R[itchie]

413. DEA/4901-F-4-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 335 Paris, February 27, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Our telegram 309 February 22.†

OEEC DOLLAR LIBERALIZATION REPORT

We have now received a first draft of the section on Canada for inclusion in the Dollar Import Liberalization Report. The text is given in our immediately following telegram. There will be a preliminary discussion of the report tomorrow in Committee. The proposed draft closely follows the lines of our original submission, but omits reference to our all-round efforts to reduce barriers to international trade and to promote a world system of multilateral trade and payments. We shall probably suggest some addition to the text along these lines. There will be time after tomorrow for further suggestions if you wish to make any and we should accordingly be glad to have your comments as soon as feasible.

[L.D.] WILGRESS

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414. DEA/4901-F-4-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 336 Paris, February 27, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Our immediately preceding telegram.

OEEC DOLLAR LIBERALIZATION REPORT

Text of section on Canada for OEEC Dollar Liberalization Report all quantitative restrictions on imports into Canada and all exchange controls have been abolished since 1951. The only products in which external trade is subject to government control are wheat, oats, barley and butter. The overall level of customs tariffs is moderate and further tariff concessions were negotiated on a reciprocal basis during the fourth GATT negotiations in 1956. Canada is therefore providing a free and growing market for import. With regard to investment, the Canadian government taxes foreign and domestic investments in a comparable manner.

2. Canadian imports from member countries have increased from $628 million in 1953 to an annual rate of $756 million during the first nine months of 1956 but member countries' share in total imports has decreased from 14 percent to 12.7 percent as against 23 percent prewar. This situation results from a fall in the share of the UK as the share of other mem-

ber countries has steadily increased from 1.8 percent in 1946 to 4.6 percent in 1956 as against 5.3 percent prewar.

3. One of the reasons why member countries' exports to Canada generally are slow in regaining their pre-war share of the Canadian market in spite of the liberal trade policy followed by the Canadian government is due to the steadily growing orientation of Canadian import demand towards the USA. The reduction of European exports during the war and immediate post-war years, the proximity of the USA, the increase in American investments in Canada and the similarity of consumer tastes between the two countries explain the increase of the USA share in total Canadian imports from 62 percent pre-war to around 73 percent in recent years.

4. The major part of Canadian imports consist of semi-manufactured and manufactured products which industrial countries of Europe are producing. Greater efforts on the part of European exporters, in order to meet American competition, are therefore necessary if the growing opportunities offered by an expanding Canadian market are to be successfully exploited. Governments of member countries should therefore bring these opportunities to the attention of their exporters and afford them all necessary assistance to take advantage of them.

[L.D.] WILGRESS

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415. DEA/4901-F-4-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM E-333 Ottawa, March 4, 1957

CONFIDENTIAL. IMMEDIATE.
Reference: Your telegram 335 February 27.

OEEC DOLLAR LIBERALIZATION REPORT

1. The Canadian statement contained in your message under reference is disturbing in several respects. The first and most important of these is the fact that as it now stands it does not provide a balanced explanation of the reasons for lack of success on the part of Western Europe in obtaining a continuing portion of the expanding Canadian market. Since the document will ultimately be made public we think that this shortcoming is especially serious and should not be disregarded.

2. The explanation given in paragraph 3 respecting the characteristics of the Canadian market and the difficulties which face European traders is not completely valid. You will recall that in our telegram 1124 of November 4, 1955 in which we commented on the draft prepared for the first dollar liberalization report we suggested that either the section on Canada and the U.S. should be deleted entirely or it should be included as an annex to the main report. Our motives were to avoid having to dispute with other members the statements which we could not accept at that time regarding almost identical subjects. Therefore, we suggest that if this section relating to Canada is to be retained, there should be a thorough and complete expression of the Canadian situation with a balanced comment on all of the factors which affect prospective traders in the Canadian market. If the latter were

done we consider that the report could not help but give strong emphasis to the ideas touched upon in paragraph 4 where it is noted that European members are afforded a valuable opportunity to enter a rapidly expanding market in Canada — a market which requires great quantities of manufactured and partly manufactured goods which European industries turn out. As a logical conclusion it might well be not only to our advantage to have this record set straight but to the advantage of the Europeans for it can only be helpful to them if this point is clearly made and if there is a genuine realization that a market exists here which is theirs if they will only attempt to gain access. The pre-occupation of this report and its predecessor seem to be with the proximity of Canada to the United States (which has hardly changed since 1939 and cannot be described as principally responsible for the greater share which the United States now has in Canada's import trade).

3. We are also quite concerned that the Secretariat has made alterations and deletions which you referred to in your telegram under reference. In so doing the balance of the Canadian statement has been upset and unless very good arguments can be advanced for this action we are inclined to press for re-inclusion of the deleted portions.

4. As far as the draft chapters 1 and 2 are concerned it is not yet possible for us to make any comments. It may be that when we have examined them fully we will wish to make some remarks.

5. When the Canadian statement is considered on Tuesday we hope that you will find it possible to indicate our disapproval and that you will be able to secure both the re-adoption of the deleted passages and alterations along the lines suggested above with respect to the nature of the Canadian market and of the problem facing European exporters. We leave it to your judgment to determine how extensive and how strong our reaction should be but we hope you will find it possible to bring about substantial changes.

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416. DEA/4901-F-4-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM E-528 Ottawa, April 2, 1957

CONFIDENTIAL. IMMEDIATE.
Reference: Your telegram 503 March 25.†

OEEC DOLLAR LIBERALISATION REPORT

1. We had prepared substantive comments on the original drafts of the report but these are now outdated by the latest draft received, together with your telegram under reference which goes some length in adapting the report to the lines which we think appropriate. For this reason and because of the time limitations which you have outlined in paragraph 2 of your telegram, and with which we are in complete accord, we think it is not now desirable or necessary for any substantial Canadian comments to be made.

2. As far as the section regarding Canada is concerned, we are satisfied that the objections set forth in our telegram E-333 of March 4 have been met in the latest draft as a result of your intervention in the Working Party. You might indicate to the Secretary that the figure requested for the seventh line of paragraph 27 should be $766,000,000 rather than

$756,000,000 as now shown. This represents the imports from member countries for the whole of 1956 rather than for the first nine months at an annual rate.

3. We are prepared to accept the present wording of paragraph 28 which, as you note, is a compromise which should be acceptable to the European countries and the United States, and is also sufficiently strong to meet our own position.

4. In paragraph 36 we are a bit disappointed that the reference to structural problems in agricultural and in particular industrial sectors is as negative as it now appears, since these problems seem to be accepted as justification for restrictive measures. However, this is a point with which we are not likely to be able to make much progress at this late stage. In the same paragraph the next sentence is also somewhat disturbing for it suggests that for some countries "liberalising dollar goods creates problems with their trade relations with their overseas territories or with third countries with which they have special connections." We do not like to see any reference here to the question of relations with overseas territories or third countries with which members may have special connections since this would seem to suggest that participants in regional trade groups might automatically obtain some favoured treatment. If there is any opportunity to secure an amendment to this sentence by deleting the words "or with third countries" we would be most grateful if you would do so.

5. Like you, we think the report is more positive and favourable this year and we welcome statements that liberalisation has been beneficial to the expansion of European production and has improved the productivity and competitiveness of European industry. We hope that in any general statement, should you decide to make one, the favourable opinion which we hold can be made known to member countries since we consider that a genuine and marked improvement has taken place. This would appear to be one time when we can state with some emphasis that we are happy to note the positive attitude which member countries are showing towards the question of liberalisation. The comments contained in your telegram under reference seem appropriate to us and since it has not been possible to give any complete and detailed study to all of the revised drafts, we think that it should be sufficient, when the working party meets this week, for you to undertake to raise the points which you have made in your telegram and to supplement these with the comments which we have made above.

4e PARTIE/PART 4

IMMIGRATION

417. PCO/I-50-10-M

Extrait du procès-verbal de la réunion du Comité consultatif interministériel sur l'immigration

Extract from Minutes of Meeting of Interdepartmental Advisory Committee on Immigration

CONFIDENTIAL [Ottawa], April 23, 1956

Present

Colonel Laval Fortier, (Deputy Minister of Citizenship and Immigration) (Chairman)
Mr. Jules Léger, (Under-Secretary of State for External Affairs)
Mr. A.H. Brown, (Deputy Minister of Labour)
Dr. George Davidson, (Deputy Minister of Welfare)
Mr. A.F.W. Plumptre, (Assistant Deputy Minister of Finance)
Mr. S.J. Chagnon, (Assistant Deputy Minister of Agriculture)
Mr. V.J. Macklin, (Privy Council Office)
Mr. D.B. Dewar, (Privy Council Office) (Secretary)

Also Present

Mr. C.E.S. Smith, Mr. Jean Boucher, Mr. L.M. Hunter, Miss E. O'Connor, Mr. D.M. Sloan, Mr. G.D.A. Reid, (Department of Citizenship and Immigration)
Mr. T.P. Malone, (Department of External Affairs)
Dr. W.H. Frost, Dr. R.D. Thompson, (Department of National Health and Welfare)
Mr. S. Pollock, (Department of Finance)

I. REPORT BY THE DEPUTY MINISTER OF CITIZENSHIP AND IMMIGRATION ON HIS RECENT TRIP ABROAD

1. *The Chairman* said that if the Committee agreed, he would report on his recent trip to Europe by referring briefly to each country visited.

2. In the *United Kingdom* the high level of economic activity was likely to give Canada more and more difficulty in recruiting immigrants. Employees seemed to be in a position to select their employers, and, in the same spirit, prospective emigrants tended to give long and serious thought to the question before deciding to migrate. There appeared to be two schools of thought in the U.K. regarding emigration; one school favoured emigration particularly to Commonwealth countries, including Canada, while the other was opposed to the loss of manpower, particularly skilled workers. *Colonel Fortier* said he was recommending an increase in the number of immigration offices in the U.K., and increase in their staff, and the moving of the Liverpool office to a more central location in Leeds or Manchester.

3. Good reports of Canada had created an atmosphere favourable to emigration from *Belgium* and Mr. Fortier's visit had been widely publicized and commented upon favourably in the Belgian press. Some overcrowding in the farming areas of Flanders favoured the movement to Canada of a good type of immigrant from that area.

4. *Germany* was in a boom period and did not want to lose skilled workers through emigration. Indeed, Canada was one of the few countries still recruiting freely in the German Republic, and there was a danger that restrictions might be imposed upon our work. Germany was not able, however, to absorb the large numbers of refugees from the

East Zone, although she liked to see the refugee flow continuing. A good number of the refugees were farmers and Germany favoured their emigration to countries needing that class of worker. At the request of the German Government, the Canadian office was to be moved this year from Karlsruhe to the Bonn area. Canada was considering placing it in Cologne.

5. *Italy* had re-organized its emigration service and was developing a consistent policy on emigration. The Italians were pressing especially for movement of close relatives, and it was noted that the number of close-relative applications was quite high, 22,000 at the time of Colonel Fortier's visit.

6. The number of applicants from *Greece* was very high, and the flow to Canada from that country could be increased. The problem was that ICEM was pressing Canada to process their cases at the neglect of close-relative and open placement applicants, who were numerous. This Canada could hardly accept.

7. There was a high number of applications from *Israel*, but it was very difficult to process them for security and medical fitness. The situation there was always under study.

8. We cannot expect a large number of immigrants from the *Scandinavian countries* because economic conditions were good and governments objected to propaganda activities of immigration countries. This was particularly true of Sweden and Norway. The situation in Finland was more hopeful, however, and Denmark was a little freer in permitting meetings and film showings.

9. The emigration service of *Portugal* had been very impressive. There was a source in Portugal of engineers, draughtsmen and artisans, a good number of whom were trained in the English system of measurement.

10. Although it was doubtful that a satisfactory migration from *Spain* could be achieved at present, there probably were thirty to fifty thousand persons who were potential emigrants to Canada. There had been a large movement to South America, but many emigrants had returned home because the reception facilities were not satisfactory. Indeed Spain was considering joining ICEM in order to become associated with an organization that might arrange better reception facilities for her emigrants.

11. *In France* a surplus population in certain sections is forecast for 1960 and it may reach a total of 200,000 persons. The government is encouraging a dispersal of industry towards centres where the increasing population might be absorbed. It seemed that emigration might be a solution to the problem, especially if the North African colonies no longer provided an outlet within the French union. *Colonel Fortier* said he had met with an interdepartmental committee of the French Government which was concerned with immigration, and had discovered that it was divided in its views on emigration. The Ministry of Labour in particular was opposed to emigration, and had suggested that the Canadian Immigration Branch should clear the names of all prospective migrants with the French Labour Department. This, of course, was unacceptable. There had been strong French opposition, also, to the suggestion that Canadian officials might tour in North Africa to investigate the situation in view of the large number of enquiries about emigration to Canada arriving from North Africa at the Paris office. North Africans would be good immigrants with a pioneer instinct, but it was possible that the French, in order to keep North Africa French, would make every effort to prevent emigration.

12. *Mr. Léger* remarked that the situation in North Africa was fluid and in a matter of some months Tunisia and Morocco might be virtually independent states and might accept a Canadian application for a consulate.

13. *Colonel Fortier* said that another problem in France was that the Canadian office in Paris was too remote from districts of emigration. Since France was also a country of immigration, she could not permit Canadian immigration offices to be opened throughout the country. Possibly, however, consular offices could be opened at two or three places in France in which some of the medical, security and recruiting offices now in Paris could work.

14. Immigrants from the *Netherlands* now benefit from a subsidy provided by the Dutch Government, and could obtain additional financial help, through the Canadian assisted passages scheme. The Dutch Government dislikes the assisted passages scheme, because it leaves the emigrants with a debt to pay after arriving in Canada, and has been trying to get Canada to agree to accept an ICEM subsidy. This has been resisted because Canada has not wanted to extend the activities of ICEM. Accepting ICEM subsidies would mean that continental emigration would be subsidized, while Canada had refused the U.K. subsidy scheme. Dutch immigrants can move more cheaply to Australia, which accepts the ICEM subsidy scheme, than to Canada. It was unlikely that the pressure being exerted by the Netherlands for a subsidy would be relaxed in the coming months, because the Dutch government, which is committed to a scheme of subsidized passages, is facing an election this year. The Netherlands would also consider their bargaining position strong, because of its favourable economic position.

15. The government in *Austria* was concerned about the Canadian assisted passage loans scheme being available to Austrian skilled workers and their dependents, and presented the same argument heard in France, that applicants for assisted passage should be cleared through the Ministry of Labour. *Colonel Fortier* pointed out that such a restriction could possibly drive would-be emigrants from the Canadian Government to racketeer lenders. A satisfactory solution to the problem would probably be worked out. Canada had been obtaining a very bad press in Austria. The need for a good film on Canada and a better system of disseminating information on this country abroad was very great, both in U.K. and on the Continent.

16. *Colonel Fortier* expressed his thanks to the Department of External Affairs for the co-operation and help he had received from their officers abroad.

17. *The Committee* noted the report of the Chairman and agreed that the main problem for Canada seemed to be to sustain a fairly stable level of immigration year by year. When conditions in emigrating countries were favourable to migration and Canada was accepting large numbers of immigrants, the flow tended to increase sharply. A recession in Canada, however, created hardships for immigrants and a bad opinion of this country in nations of origin which ultimately depressed the flow. The real difficulty seemed to be that since the reputation of Canada as a country of immigration lagged behind actual conditions here, the peak periods of demand and supply for immigrants tended not to coincide. This difficulty was complicated by the fact that bad news about Canada receives greater publicity than good news. In addition the condition of the economies of emigrating countries had a substantial, but probably secondary influence on the potential flow.

II. CONTINUED PARTICIPATION IN ICEM

18. *The Chairman* invited the Committee to consider the question of continued participation in the Intergovernmental Committee for European Migration. The question had been considered about a year ago, and the Committee had decided then that although the original purpose of ICEM had been fulfilled, the organization continued to provide some useful services to migrants. In addition, Canada's withdrawal might cause the organization to collapse, and other less desirable organizations might assume its functions. For these rea-

sons, the Committee had recommended that Canada should remain in ICEM for a definite period, following which our position should be re-examined. The Cabinet had subsequently decided, however, that although Canada should retain membership until January 1, 1958, we should indicate to ICEM that we intended to withdraw then and that we thought the organization should come to an end. ICEM had not been informed officially of this intention, but the organization certainly was aware of it. The question now was whether any further action should be taken.

(IACI Document No. 32,† Draft Report of the Canadian Delegation to the Fourth Session of the Council of ICEM, dated March 1955, had been circulated.)

19. *The Under-Secretary of State for External Affairs* said that as long as we had the problem of finding enough immigrants, we would probably need the services of a good organization to help us. Was it not possible that if we withdrew from ICEM we would be in a worse position than we are now? It seemed likely that an announcement of our intention to withdraw would make us bad friends with some countries, particularly with the Netherlands who were such an important source of immigrants.

20. *Colonel Fortier* said that Canada had most of its difficulties in countries where ICEM was active. It was not in our interest, therefore, to let the organization grow more permanent by extending its services, if we were to withdraw in 1958. Some other countries, of course, found it difficult to understand the Canadian position, because they benefited from those increased services, which were largely paid for by the United States. The fact remained that ICEM was of little help to Canada. On the contrary, it was diverting some of our potential immigrants elsewhere, especially to Australia.

21. There were certain negative advantages to Canada in seeing the organization continue, but it would not be worthwhile unless the terms of reference were changed. The Italians had suggested that these terms of reference might be reviewed, if Canada was willing to reconsider its intention to withdraw. *Colonel Fortier* suggested that our best move, if we wanted the terms of reference changed, might be to announce now that we intended to withdraw at the beginning of 1957. Interested countries would certainly make strong representations for Canada to remain a member, and more acceptable terms of reference might possibly be obtained.

22. *Mr. Léger* commented that such a strategy might be effective, but we would have to be prepared to accept the consequences if it failed. We might be left with no organization at all, or with the prospect of a similar organization under the auspices of NATO or the United Nations.

23. *The Assistant Deputy Minister of Agriculture* said that his Department was interested in a steady flow of immigrants to build up the domestic market and to increase the farm labour force. He was concerned, therefore, whether ending ICEM would decrease the number of immigrants.

24. *Colonel Fortier* replied that it would not. Australia was now benefiting most from ICEM. The danger was that ICEM might make bad friends for Canada in countries of emigration, if this country thwarted the wishes of the organization. ICEM was, in fact, trying to make itself indispensable, and our difficulties with the Netherlands were at least in part due to this fact.

25. *Mr. Pollock* said the position of the Department of Finance was that there was no point in remaining in ICEM if we received no benefits from membership. The Committee had advanced certain arguments in favour of continued membership a year ago, and Cabinet had not accepted them. Unless there were further arguments to put forth, therefore, the Committee had no reason to approach Cabinet again and recommend continued mem-

bership. Indeed it appeared that Canada was going to be embarrassed by continuing pressures until our decision was made known. If this were the case, we should announce now that we intended to withdraw from ICEM as soon as possible.

26. *Mr. Léger and Mr. Brown* both doubted the wisdom of trying to leave ICEM even more quickly than Cabinet had suggested.

27. *Mr. Pollock* said that rumours of our impending withdrawal had already started a campaign in ICEM against Canada. An advantage of withdrawing very soon would be to put an end to this campaign.

28. *Colonel Fortier* noted that both Finance and Immigration favoured an announcement in 1956 that we intended to withdraw on January 1, 1957, but for different reasons. He hoped that by giving notice of an early withdrawal Canada could obtain more satisfactory terms of reference for ICEM. The Director of ICEM and his Deputy would be in Ottawa this spring, and it would be useful to be able to tell them confidentially then about the Canadian stand.

29. *The Deputy Minister of Welfare* said there was no point in going back to the Cabinet and making the same recommendation as a year ago unless new reasons could be advanced in its favour. It might be useful, however, to sound out the Ministers most concerned on the question. If they agreed that membership in ICEM would be worthwhile under better terms of reference, then Cabinet approval might be requested of the strategy recommended by the Chairman.

30. *The Committee agreed* that the representatives of Citizenship and Immigration and External Affairs should inform their respective Ministers of the discussion, and if the Ministers agreed, should prepare a joint memorandum to Cabinet reviewing the situation and pointing out that:

(a) the early announcement of Canada's intention to withdraw from ICEM on January 1, 1957, might result in this country obtaining through negotiation terms of reference for the organization that would make our continued membership after that date worthwhile; and

(b) that the Director of ICEM and his Deputy would be in Ottawa this spring, and it might be useful to inform them then of the position Canada was intending to take.

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418. PCO

Note du ministre de la Citoyenneté et de l'Immigration pour le Cabinet

Memorandum from Minister of Citizenship and Immigration to Cabinet

CABINET DOCUMENT NO. 155-56 Ottawa, July 23, 1956

CONFIDENTIAL

EXPANSION OF ACTIVITIES TO STIMULATE IMMIGRATION

1. During the calendar year 1955, 109,946 immigrants were admitted to Canada. The decrease in the number of immigrants in 1955 over previous years is attributed to the adverse publicity given abroad to employment conditions in Canada during the winter of 1954-55, the improved economic conditions resulting in a high level of employment in

many European countries and more complete social security benefits available in most European countries, particularly in the United Kingdom.

2. The Department has carried out an extensive review of conditions in overseas countries to determine what changes would have to be made in immigration operational methods that would be effective in increasing the flow of immigrants to Canada. It was found that the factors governing the immigration potential in overseas countries varied with the economic development and attitude towards emigration that have taken place in these countries over the past two years. Further, a concerted effort will have to be made to recover the ground lost through the indiscriminate dissemination of unreliable and distorted information on Canada by a multiplicity of individuals and organizations that are interested in migration to serve their own needs for commercial or other reasons. This has led to considerable criticism that immigrants are being misinformed on conditions in Canada and this could be controlled and offset by taking steps to expand the Department's present counselling service abroad to ensure that prospective immigrants are given factual and informative information with respect to working and living conditions in Canada.

3. Therefore, in order to ensure that future immigrants are attracted to Canada in numbers commensurate with this country's absorptive capacity, changes in the promotional programme of the Immigration Branch should be implemented along the lines and for the reasons set out hereunder:

OPENING OF NEW OFFICES

United Kingdom

The location of the immigration office in the Liverpool area was the most logical choice when it was first established, as immigration procedure at that time required the checking of an immigrant's sailing arrangements at the port of embarkation. However, improved economic conditions in England point to the need for a step-up in promotional activities which could be assisted by moving the Liverpool office to a more central location such as Leeds to serve the north of England and opening a new office in the Bristol area to serve the southwest of England. These new offices would result in better servicing of larger areas; the tapping and development of a larger fertile field of operations; reducing travelling expenses to the individual and would tend to overcome the natural reluctance of Englishmen to travel far from their home towns.

France

Recent developments in France, official reports and talks between Departmental and French officials indicate a relaxation in the attitude of the French Government against emigration. There is reason to believe that the French Government will become more receptive to expansion of Canadian immigration activities in France. Immediate advantage should be taken of this situation and the ground work laid for increased operations by exploring the possibility of opening two additional offices in France.

Spain and Portugal

Up to the present, immigration activities in these areas have been restricted to the sending of teams to the Azores to select immigrants from the Azores and Portugal, and inquiries on immigration emanating in Spain and Portugal are handled by the External Affairs office. However, as immigration inquiries in these two countries are continually increasing, it would be both desirable and advisable to assign a full-time Immigration Officer to Madrid to handle immigration matters in Spain and Portugal.

ADVANCE PUBLICITY, FILMS AND LECTURES — UNITED KINGDOM

At the present time, agents representing the larger transportation companies in the United Kingdom co-operate up to a point with the Immigration Branch by placing advertisements in newspapers giving notice of film shows and lectures on Canada. These advertisements appear over the name of the transportation company and agent concerned which has contributed to the misunderstanding, in some quarters, that the transportation companies and not the Canadian Government are promoting emigration to Canada. The cost of advertising rental of halls and wages of projectionists are borne by the agents, the films are supplied by the Immigration Branch and the lectures are given by the immigration staff. The expenditure incurred by the agents is recouped from the sale of tickets to immigrants.

To carry out an immigration promotional to cope effectively with changing conditions in the United Kingdom, the Immigration Branch should take over full responsibility for advertising, lectures and film shows from the transportation company agents. To continue to rely on the transportation company agents would be inadvisable for the following reasons:

(i) co-operation in immigration activities is restricted to the larger transportation companies, therefore, many areas are not served with film shows and lectures;

(ii) as the agent's co-operation is on a strictly commercial basis in which they expect to realize a profit, they are reluctant to explore new areas where their profit might be reduced;

(iii) advertisements and information on Canada are commercially slanted which has led to criticism from immigrants that they were misinformed about opportunities in Canada;

(iv) agents are not interested in lectures and film shows during the holiday seasons; they are too busy with the tourist trade;

(v) agents will not operate in an area for the sole purpose of developing future immigrant potential, nor will they conduct film shows to keep Canada's name before the public during the winter season.

Assumption of full responsibility for advertising, lectures and film shows by the Immigration Branch would result in an increased coverage of the United Kingdom to reach people in areas not hitherto covered; an increase in the number of shows and lectures; improved and more authentic advertising and promotional information; better control of itineraries and territories to be covered; time and place of show or lecture would be determined by the United Kingdom staff and transportation companies in the area would be invited to attend.

AGRICULTURISTS FOR OVERSEAS SERVICE

When officials of the Belgian Government visited Canada last year they indicated that there were some 25,000 young Belgian farm families who are in search of an opportunity to own their own farms. In addition, it is considered that a substantial number of farmers in the United Kingdom, Germany and Belgium could be interested in migrating for this purpose. However, to promote, develop and encourage the migration of such persons, four qualified agriculturists with training in farm settlement in Canada should be assigned overseas to serve as farm settlement officers in the United Kingdom, Germany and Belgium.

OFFICIAL VISITS BY OVERSEAS REPRESENTATIVES

The unfavourable publicity about employment and economic conditions in Canada could be offset to a considerable degree by inviting representatives of various occupations in countries of emigration to visit Canada to view first-hand the opportunities available in this country for immigrants. The publicity given to conditions in Canada by such visitors on their return to their own countries should act as a further stimulant in promoting immigration to Canada.

PROMOTIONAL PUBLICATIONS

Expansion of our immigration promotional activities abroad should be supplemented and augmented by new promotional and informational pamphlets. These pamphlets will deal with subjects that will be of benefit to immigrants in outlining specific information on selected topics, e.g., facilities available to immigrants, Canadian homes, small business, education in Canada, general booklet on Canada, etc.

THE UNDERSIGNED, THEREFORE, RECOMMENDS THAT:

(i) the Department of Citizenship and Immigration open four new offices abroad, two in the United Kingdom, two in France and assign a full time Immigration officer in Spain to deal with applications for immigration in Spain and Portugal;

(ii) the Department of Citizenship and Immigration undertake complete responsibility for advertising and publicity and conducting lectures and film shows in the United Kingdom, presently carried out under the auspices of transportation company agents;

(iii) the proposed promotional activities be supplemented by new pamphlets containing material of a promotional and informational nature designed to interest prospective immigrants in migrating to Canada;

(iv) invitations be extended to Government officials, agricultural representatives, journalists, authors, etc., to visit Canada to examine and report on opportunities available for immigrants;

(v) four qualified agriculturists be assigned abroad, three in the United Kingdom and one for Germany and Belgium, to promote and develop the migration of persons who are desirous of purchasing farms.

Respectfully submitted,
J.W. PICKERSGILL

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419. DEA/74-V-1-40

Le sous-secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Grèce

Under-Secretary of State for External Affairs
to Ambassador in Greece

LETTER NO. V-325 [Ottawa], September 7, 1956

SECRET AND PERSONAL
Repeat Rome V-500; Bonn V-503; The Hague V-434; Vienna V-234.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION (ICEM)

I am making this letter a personal one to the Head of the Mission for reasons which will be obvious as it is read.

2. You know, I am sure, a good deal about ICEM and our policy towards it. However, it might be helpful if I reviewed, in a very general way, what has happened since IRO was wound up at the end of 1951. The Intergovernmental Committee for European Migration came into being about December 1951. It assists the movement to new homes overseas of

migrants and of those refugees who can meet immigration requirements. The life-span of ICEM will depend on how expeditiously it can perform the tasks allotted to it of (1) transferring some three million surplus people in Europe, and (2) helping both the sending and receiving countries by organizing suitable services (vocational training, language classes, shipping facilities) to facilitate migration on the desired scale. Briefly looking back at the period prior to the formation of ICEM, you will recall that the International Refugee Organization (IRO), which was a United Nations Specialized Agency, operated from about 1947-1951, and Canada was an active member of IRO until it was liquidated. The total number of persons settled in Canada under IRO auspices was 123,479, and our monetary contribution to it totalled more than $18 million. Although IRO was wound up in 1951 (it went into liquidation on March 1, 1952), many of the problems with which it was concerned continued to exist; some of its problems and duties became the responsibility of the United Nations High Commissioner for Refugees; others were handled by governments through bilateral arrangements, and other co-operative procedures. It seemed in 1951 that the International Labour Organization (ILO) might extend its interest into these co-operative procedures, particularly as far as European migration was concerned. The United States, where considerable opposition both to IRO and to the ILO had developed in Congress, partly because both organizations included communist countries as members, took the initiative in promoting the formation of an organization to foster the movement of migrants from Europe, the membership of which would be confined to non-communist countries of emigration and immigration. The United States undoubtedly also hoped by this means to relieve itself of some of the embarrassment occasioned by its failure to admit immigrants from Europe in excess of its regular quota intake. Therefore at Brussels in the fall of 1951, a new organization was set up under the name of Provisional Intergovernmental Committee for the Movement of Migrants from Europe (PICMME); this was later changed to the Intergovernmental Committee for European Migration (ICEM). Its primary functions were conceived as those of a transportation agency, and it took over from IRO the ships which that organization had been using. It was, in addition, accepted as an organization which would make a valuable contribution to the relief of population pressures in Europe, by providing facilities and services for countries of emigration and immigration which might need them. The United States contributed a substantial sum (of the order of $10,000,000 annually) to assist the new organization to carry on its work, and by this means ICEM has been able to subsidize the movement of migrants as well as to provide shipping at a cost below that of regular commercial lines. However, Canada, which was a founding member of ICEM, has contributed only to its administrative budget and not to its operating fund. Also, Canada has not made very much use of ICEM's services (such as vocational training, language classes, and shipping services), since we prefer to work either through our own immigration services, or through bilateral arrangements.

3. By a Cabinet decision of June 15, 1955, Canada's membership in ICEM will be continued until the end of 1957; our position will then be reviewed in ample time for us to give final notice of our intention to withdraw from ICEM at the end of 1957; Cabinet also decided that ICEM should be advised of our plan to withdraw, since we consider that ICEM could and should be wound up then.

4. On July 9-10, 1956, there were discussions in Washington between Canadian and U.S. immigration officials, mainly on some of the problems of ICEM acting as an intermediary between sending and receiving countries. Then, as a sequel to the July talks in Washington, there were further discussions in Ottawa on August 16-17. Not only did Canadian and U.S. officials attend these later meetings, but Mr. Jacobsen and Mr. Delagrave of ICEM were present too.

5. We think that the most important result of these recent discussions in Washington and Ottawa is that there is an increasing realization here that ICEM could be used to greater advantage; that some of the present difficulties may not be insuperable; and that any alternative to ICEM could be far less satisfactory. On a number of occasions the U.S. officials said they hoped Canada would remain in ICEM, and they also said that should Canada withdraw at the end of 1957 the U.S. would continue to support ICEM.

6. It seems to officials in our Department that the case for continued membership in ICEM is clear, since (a) a number of NATO emigration countries (the Netherlands, Italy, Greece) are very strong supporters of it, (b) a number of other friendly receiving countries (Australia and Latin American states) believe in the organization, (c) the U.S. will back it as long as it serves a useful purpose, and (d) more countries are joining it (Spain and South Africa recently, and Portugal in the near future). Therefore, we are inclined to think that ICEM will continue to function for some years and Canada's withdrawal from it will not bring about either its withering away or a return to a bilateral approach in immigration matters between sending and receiving countries. Furthermore, there is a possibility that if we persist in claiming the right to operate along exclusively national lines we may stir up some ill will in the sending countries. Be that as it may, the Cabinet decision of June 15, 1955, still stands that Canada's membership in ICEM will continue until the end of 1957 and that our position will be reviewed in ample time for us to give final notice of our intention to withdraw. This review should take place not later than the spring of 1957.

7. I wonder if you would, within the next three or four months, and in any case not later than February 1957, send us your assessment on a number of aspects of Canadian immigration policy which are of interest to this Department. You will realize, I am sure, that this is only a departmental assessment, and you should be somewhat guarded in discussing the matter with any immigration officials on your staff since your conclusion may possibly involve criticism of policies pursued by the Department of Citizenship and Immigration, and it would be unfair to associate them with an assessment devised to assist another department to reach its own conclusions even on such aspects of the problem as are not of primary concern to the Immigration Branch. However, as I said above, it seems to some members of this Department that if Canada persists in claiming the right to operate along exclusively national lines, we might stir up ill will and even hostility which, in the long run, might not be confined to immigration matters. For this reason, we should like your assessment of where we stand now as far as relations in the immigration field are concerned in the country to which you are accredited.

8. A further matter on which we should like your appraisal is how our relations generally with the country to which you are accredited would be affected if Canada withdraws from ICEM at the end of 1957? There is also the subsidiary question — would our immigration relations be adversely affected in your opinion if Canada tried to revert to a bilateral approach in immigration matters?

9. As you will see from our comments in this letter, we do not approach the problems of participation in ICEM on the same basis as the Department of Citizenship and Immigration. They have to determine whether it would be easier for them to recruit desirable immigrants if ICEM did not exist or if we were out of it, and whether ICEM can assist them in achieving their objectives. On the other hand, we must assess the possible impact on our external relations of the courses followed or proposed by the Department of Citizenship and Immigration. Without suggesting that the officials of that Department are not co-operative, this is a task which we must obviously undertake independently and quite discreetly.

10. We think that (a) when certain features of ICEM are not satisfactory, Canada should try to sell its ideas to other members of the organization beforehand and have the matter dealt with in the ordinary way, in the ICEM Council; (b) when certain matters are objectionable to Canada in particular, there is no harm in discussing the matter with other countries and in trying to enlist their support, but the purpose should be, at least in the first instance, to seek redress rather than arguments to justify withdrawal; (c) whether we remain in ICEM or whether we leave it, immigration negotiations in the future are unlikely to be conducted and concluded on terms dictated by Canadian requirements alone. If the sending countries, who also have a say in the matter, prefer the multilateral approach and other than Canadian methods, whether we like it or not, we will have to defer to their views. It seems to us that the tactics for coping with the situation cannot be a matter of exclusive concern to the technical department involved.

11. We realize that this request for you to make an appraisal of immigration matters will be somewhat difficult to carry out since it may be hard to get information without relying mainly and simply on the main source which would normally be the Mission's immigration official. Nevertheless, we are sure that with ingenuity, circumspection, and some finesse you will be able to send us this appraisal in good time for the survey of the situation which this Department hopes to make prior to the review mentioned in Cabinet's decision of June 15, 1955.

12. As we mentioned in paragraph 5 above, it seems to us that the most important result of the recent discussions in Washington and Ottawa is an increasing realization in the Department of Citizenship and Immigration that ICEM could be used to greater advantage. Therefore, it may happen that when the review of the situation is undertaken in the spring of 1957 the present decision to withdraw from ICEM will be reversed. However, we feel that any reversal which may take place will not relieve this Department of presenting a point of view since immigration policy and the implementation of that policy impinge on our relations with foreign countries.

J.W. HOLMES
for Under-Secretary of State
for External Affairs

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420. DEA/232-W-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL Ottawa, October 3, 1956

IMMIGRATION FROM FRANCE

You may recall that, at the end of July, Mr. Pickersgill sought the approval of Cabinet for the opening of two new Canadian Immigration *offices* in France to stimulate immigration to Canada from that country. At that time, I informed you that Mr. Fortier had written to me stating that it would be necessary for the Heads of the two offices to hold the position of Vice-Consuls and asking whether the Department would have any objection. I suggested to you that the question of opening new consulates and having them headed by Immigration Officers should be closely examined.

2. I understand that, at a meeting held on August 10, when you were away, Cabinet approved Mr. Pickersgill's recommendations, including the opening of the two new Immigration *offices* in France, subject to the details being settled in consultation with you and that Mr. Pickersgill subsequently telephoned you when you were still away "to settle the details". It seems clear that Cabinet did *not* discuss the question of whether the new offices should be consulates or simply Immigration offices.

3. In his letter† to me, Mr. Fortier admitted that the French Government would probably object if new Canadian Immigration Offices, as such, were opened in France because of their reluctance to authorize immigration propaganda openly. Mr. Fortier discussed this question informally with French Officials when he was in Paris early this year. Apparently, at that time, it was suggested to him by a French official that an acceptable alternative might be to open Canadian consulates in the French Provinces which could undertake immigration work without making it too apparent that their primary interest was immigration.

4. After considering this matter carefully in the Department, we are reluctant to recommend to you that we agree to the opening of two new *consulates* in France for the following reasons:

(1) We should not, if possible, agree to the opening of a new mission designed for a specific purpose without assessing its priority in relation to our other commitments and plans for new offices throughout the world.

(2) Immigration has suggested that the proposed consulates should be headed by Immigration Officers. In fact they have stated that the Department of Immigration would assume the responsibility for setting up the offices and providing the necessary staff. We have pointed out to Mr. Fortier that it has been our experience that wherever a consular office is opened, even though it is intended only for one particular field of activities, the office soon finds itself dealing with consular matters of every variety. It is advisable, therefore, that a consulate should not be opened unless we are prepared to have it staffed with experienced personnel who can handle consular matters of all kinds. Although we have some consulates that are headed by experienced Foreign Service Officers from the Department of Trade and Commerce, I would be reluctant to recommend that we agree to having consulates headed by and staffed by Immigration personnel. Apart from their lack of training in consular matters, which might perhaps be overcome, it is doubtful whether Immigration Officers at this time have the necessary background and experience to head a Canadian consulate. On the other hand, it would be very difficult to provide External Officers and staff particularly at this time.

(3) Perhaps even more important, if we were to agree to this proposal, it could lead to many Canadian Consulates operating outside this Department's direct control. We do not consider this to be a desirable state of affairs as it is one of the recognized functions of a Foreign Office to establish and operate consular posts as well as diplomatic missions.

(4) Once a Canadian consulate were opened for this purpose, it might well develop that in a few years the specific need for which it was established might disappear. In the circumstances, it might be difficult to close the consulate without incurring the displeasure of the French authorities.

(5) If the French object to Immigration offices as such being opened in France, they would object ultimately to consulates operating primarily for the purpose of encouraging immigration.

5. On the other hand, Mr. Fortier has emphasized the value to Canada of obtaining immigrants from France and the desire of his Department to develop this potential field at the

same time as they are increasing their promotional activities in the British Isles. Further, they do not envisage the possibility of their interest in French immigration waning within the foreseeable future to the point where they might wish the Consulates to be closed. I think we should be as forthcoming as possible in helping Mr. Fortier in this respect and I have therefore suggested to him that he might wish to discuss this question with you. If he decided to do so I would like beforehand, however, to have your views on the proposals discussed in this memorandum. Specifically, if you agree, I propose to tell the Deputy Minister of Immigration that we cannot see our way clear at this time to agreeing to the opening of the proposed two Canadian Consulates in France. We would be prepared, however, (a) to seek the permission of the French Government to the opening of two new Immigration offices there; and, failing this, (b) to seek the permission of the French authorities to an increase in the present Immigration Office in Paris. I am thinking of the possibility of suggesting mobile Immigration units which, while permanently stationed in Paris, could travel throughout France for fairly lengthy periods to get in touch with provincial groups interested in emigrating to Canada.[51]

6. If it were impossible to implement (a) and (b), we would then have to reconsider the whole matter with a view eventually to setting up some sort of consular establishments in France to meet the requirements of the Department of Immigration.

7. Alternatively, you may wish to discuss this question with Mr. Pickersgill as a follow-up to the decision at the Cabinet meeting in August which you did not attend.

J. L[ÉGER]

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421. DEA/232-W-40

Le sous-secrétaire d'État aux Affaires extérieures
au sous-ministre de la Citoyenneté et de l'Immigration

Under-Secretary of State for External Affairs
to Deputy Minister of Citizenship and Immigration

CONFIDENTIAL Ottawa, October 16, 1956

Dear Mr. Fortier:

I have recently discussed, with Mr. Pearson the question of opening two new Canadian Immigration offices or consulates in France, with a view to stimulating emigration from that country to Canada. You will recall that this was the subject of your letter of July 20,† my letter of August 21,† and Mr. Smith's interim reply of September 19.†

Mr. Pearson has concluded reluctantly that we cannot, for the reasons given in my letter to you of August 21, agree to the opening of the proposed two Canadian consulates in France at this time.

I would suggest, therefore, that we seek the permission of the French Government to the opening of two new Immigration offices. Alternatively, we could seek permission for an increase in the present establishment of your Immigration office in Paris. I realize that this second alternative would not be as satisfactory as having two permanent offices set up in the French provinces. However, perhaps with an increase in staff it might be possible for you to send mobile immigration units to the more remote parts of the country for fairly lengthy periods to process groups and individuals living there who are interested in emigrating to Canada. I believe that you have used this device in the past.

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[51] Note marginale :/Marginal note:
I agree L.B. P[earson]

Please let me know whether you would like us to set on either of these two alternative suggestions.

Yours sincerely,
JULES LÉGER

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422. PCO

Note du ministre de la Citoyenneté et de l'Immigration pour le Cabinet

Memorandum from Minister of Citizenship and Immigration to Cabinet

CABINET DOCUMENT NO. 203-56 Ottawa, October 23, 1956

CONFIDENTIAL

IMMIGRATION TO CANADA — 1957

1. For the first eight months of 1956 immigrant arrivals in Canada numbered 98,761, an increase of 25% over the 79,249 who came forward in the corresponding period in 1955. It is anticipated that the total for 1956 will approximate 130,000, an increase of 18.2% over the 1955 figure of 109,946. The decrease in 1955 reflects the effects of adverse reports on Canadian economic conditions during 1954, together with the buoyant economies of European countries which resulted in a lessened desire to emigrate among Europeans.

2. The increase in 1956 may be attributed to a number of specific causes:

(a) publicity about Canada's buoyant economy;

(b) broadening of the immigrant selection criteria. Unlike former years occupation was not the basic criteria in 1956 and visa officers were allowed to exercise their discretion in the selection of immigrants having regard to their suitability, desirability and adaptability;

(c) extension of the scope of the Assisted Passage Loan Scheme to include all immigrants and their dependents;

(d) institution of the Family Assistance Scheme in lieu of Family Allowances;

(e) increased promotional and recruiting activity by Immigration offices abroad.

3. Throughout the first nine months of 1956 Immigration field officers have been unable to provide sufficient immigrant labour to meet employers' demands. Generally speaking, the estimates of absorptive capacity indicate that placement of at least double the number of immigrants received could have been achieved.

4. On October 19, 1956, the Departmental Advisory Committee on Immigration met with other Federal Departments to discuss the prospects for the Canadian economy in 1957 from the viewpoint of an immigration programme for next year. The economic advisers to those Government Departments primarily concerned with the economy of the country expressed a high degree of optimism as to Canada's economic prospects for 1957 with certain minor reservations. The consensus of this meeting was that Canada could probably absorb without difficulty more immigrants than could be recruited next year.

5. As regards the supply situation, it is anticipated that recruitment of suitable immigrants will continue to be difficult owing in particular to the expected continuation of buoyant

economic conditions in countries of emigration. The main attraction for immigrants will be the prospect of broader and more promising opportunities in this country.

6. In the light of economic conditions as they are expected to prevail in Canada in 1957, it is considered desirable to maintain and if possible increase the flow of desirable immigrants to this country.

THE UNDERSIGNED, THEREFORE, RECOMMENDS:

(1) THAT for 1957, the selection criteria in respect of immigrants remain the same as for 1956, viz, that immigrants be selected primarily because of their general suitability, desirability and adaptability;

(2) THAT the Department endeavour to obtain as high a rate of arrivals as possible during the early months of the year, the rate to be adjusted later in the year if necessary by administrative controls as indicated by the economy;

(3) THAT the assisted passage and Family Assistance programmes be continued on the same basis in 1957 as in 1956;

(4) THAT the Department continue and increase where possible, promotional and recruiting activity abroad.[52]

Respectfully submitted,
[J.W. PICKERSGILL]

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423. PCO

Note du ministre de la Citoyenneté et de l'Immigration pour le Cabinet

Memorandum from Minister of Citizenship and Immigration to Cabinet

CABINET DOCUMENT NO. 218-56 Ottawa, November 6, 1956

CONFIDENTIAL

IMMIGRATION — EXTENSION OF SPONSORED CASES

1. At its meeting of October 25, 1956, Cabinet considered and approved recommendations respecting immigration to Canada during 1957. These recommendations were based on the principle that it is desirable to maintain and, if possible, increase the flow of desirable immigrants to this country.

2. It is considered that one means of increasing immigration to Canada would be to encourage the sponsorship of immigrant workers and their dependents by employers in Canada who can establish that they have a need for workers who are not available in the Canadian labour force.

3. Under the present procedure, employers in Canada may sponsor the admission as an immigrant of a prospective employee only where the employee and his qualifications are known to the employer personally. This practice, which is restrictive in nature, was adopted some years ago following certain irregularities which developed in the form of a number of spurious applications submitted by residents of Canada who had no intention whatever of employing the prospective immigrants. In the light of the current urgent

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[52] Approuvé par le Cabinet, le 25 octobre 1956./Approved by Cabinet on October 25, 1956.

demand for labour of various types in Canada, it is considered that there is less danger of abuse in the employer sponsorship field as the actual need for labour can be more easily established in individual cases.

4. The numbers of immigrants obtained by sponsored applications fell off in most countries of emigration in 1954 and 1955 as will be seen from the table hereunder:

CITY	1953	1954	1955	1956
ATHENS	1,499	2,176	2,268	3,841
BERNE	294	222	149	134
BRUSSELS	617	381	307	556
COPENHAGEN	395	282	233	639
HANOVER	6,313	4,949	4,382	3,325
HELSINKI	427	179	227	232
KARLSRUHE	6,826	7,870	4,756	4,539
OSLO	260	181	155	138
PARIS	922	688	431	558
ROME	24,689	18,901	19,284	35,787
STOCKHOLM	405	282	120	103
THE HAGUE	10,027	7,583	4,652	2,929
VIENNA	2,146	2,450	1,320	1,069
TOTALS	54,820	46,144	38,284	53,850

5. Except for Italy and Greece, where our facilities are being taxed to the utmost, all Immigration offices in Europe could handle a far greater number of sponsored applications.

THE UNDERSIGNED, THEREFORE, RECOMMENDS:

(1) THAT effective January 1st, 1957, applications for the admission of immigrant workers and their dependents be accepted from residents of Canada willing and in a position to provide satisfactory year-round employment to the prospective immigrants, whether or not they are known to the employer personally — this to apply in the case of immigrants residing in countries of Europe where Immigration offices could handle a greater number of sponsored cases;

(2) THAT prior clearance in respect of each such application be obtained from the National Employment Service to ensure that Canadian labour is not available;

(3) THAT in each case the prospective immigrant must meet the criteria for open placement selection, i.e., he must be suitable, desirable and adaptable, as well as willing and able to do the work offered; and,

(4) THAT the Assisted Passage Loan Fund be utilized as required to effect the movement of immigrant employees and their dependents.[53]

Respectfully submitted,

[J.W. PICKERSGILL]

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[53] Approuvé par le Cabinet, le 7 novembre 1956./Approved by Cabinet on November 7, 1956.

424. DEA/74-V-4-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM C-196 Ottawa, February 5, 1957

CONFIDENTIAL. IMMEDIATE.
Repeat Paris (Information).

IMMIGRATION AIRLIFT FROM THE UK TO CANADA

For Mr. Robertson.

The Deputy Minister of Citizenship and Immigration has asked us to acquaint you with plans for a special airlift of immigrants from the UK to Canada this year and to request your assistance in obtaining from the UK authorities uplift rights in the UK for the aircraft that would be involved.

2. An anticipated short fall of 25,000 in available sea and air space for immigrants from the UK in the first six months of the year led Immigration to negotiate with ICEM, which has indicated it could charter sufficient aircraft to assure Canada of an airlift of 305 flights with the possibility of increasing the number to 500. Half of the flights would be directed to Toronto — the remainder to Winnipeg, Edmonton and Vancouver. 30 percent of the departures would be from Prestwick and 70 percent from London. (There is a possibility a few departures might have to be arranged from Paris.)

3. Immigration has reason to believe the proposed carriers might meet with difficulty in obtaining uplift rights from the UK government. It would be appreciated if you would approach the appropriate authorities there to acquaint them with the reasons for the airlift. It has been suggested you might wish to point out to them that, although the Empire Settlement Act has been in existence for some time, Canada has always taken full responsibility for the movement of UK immigrants to this country. It could also be indicated to the UK government that, although BOAC was asked to participate in the airlift, it apparently has not submitted any bid. A factor in possible objections from the UK government may be the UK's lack of membership in ICEM. If so, it could be pointed out that the airlift is being organized by the Canadian government, which proposes to use the facilities of ICEM in view of that organization's experience. It is understood ICEM previously has organized airlifts to Australia and to other parts of the world.

4. It is hoped the airlift would be completed between March 15 and August 31. It would be appreciated if you could approach the UK authorities as soon as possible to explain the circumstances as the Acting Minister of Citizenship and Immigration expects to inform the House of Commons this week of the government's decision to organize the airlift.[54]

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[54] Voir Canada, Chambres des Communes, *Débats*, 1957, volume II, p. 1477.
See Canada, House of Commons, *Debates*, 1957, Volume II, pp. 1416-1417.

425. DEA/74-V-4-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 235 London, February 7, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Your telegram C-196 February 5.

PROPOSED AIRLIFT FOR IMMIGRANTS FROM THE UK

I addressed a letter yesterday to the Secretary of State for Commonwealth Relations requesting approval in principle of the charter flights on the assumption that detailed clearance of the various flights would be requested in the usual manner at the appropriate time. In hanging the letter to Lintott at the CRO I mentioned that BOAC had been asked to participate in the airlift but that it had apparently not submitted a bid.

2. I have just been informed that a reply is already on the way and the gist of it was communicated by phone in the following sense: the UK authorities agree in principle with the proposal for the operation of up to 500 charter flights this year from this country for the transport of immigrants. This agreement is, however, on the assumption that the BOAC and other suitable UK operators would be included in the poll of tenderers for the operation of these charter flights.

3. You might explore the possibility of reducing costs by using some of the flights returning to this country to bring Boy Scouts for the Jamboree in August.

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426. DEA/232-BK-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures[55]

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs[55]

CONFIDENTIAL [Ottawa], February 25, 1957

NETHERLANDS-NOVA SCOTIA LAND SETTLEMENT BOARD AGREEMENT RE FARM LOAN GUARANTEES FOR SETTLERS FROM THE NETHERLANDS

The Netherlands Embassy has informed us the New Brunswick Government has approached it to ask whether the Netherlands Government would be prepared to complete a farm loan agreement with New Brunswick similar to that now in effect with the Nova Scotia Government. This adds a new complication to an already complex problem with the following history:

(1) In January last year the Netherlands Embassy, without consulting us, negotiated an agreement with the Nova Scotia Land Settlement Board providing guarantees, under cer-

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[55] Note marginale :/Marginal note:
B[ring] F[orward] on my return [L.B. Pearson]

tain circumstances, for loans to settlers from the Netherlands who wished to purchase farmlands in Nova Scotia.

(2) After consulting Citizenship and Immigration and other interested departments, we called in the Netherlands Ambassador on May 16 to express our displeasure with the Netherlands Embassy having concluded an agreement with a Provincial Government without our knowledge or consent. The Ambassador was asked to consult us before negotiating similar agreements with other provinces.

(3) On August 16 the Department of Justice replied to a request from us for an opinion on the validity of the Netherlands-Nova Scotia Agreement and the right of the Nova Scotia Government to enter into such an agreement. The Deputy Minister of Justice advised us his Department considered that the agreement was not valid because the Nova Scotia Government "has not the capacity to conclude such an agreement".

(4) After Mr. Winters, at our request, had informally advised the then Premier of Nova Scotia, Mr. Hicks, of the opinion of the Department of Justice on the validity of the Netherlands-Nova Scotia Agreement, Mr. Hicks sent Mr. Winters a copy of a memorandum† prepared by the Senior Solicitor of the Nova Scotia Attorney General's Department refuting the Opinion of the Department of Justice and maintaining that Nova Scotia had the constitutional authority to enter into an agreement with the Netherlands Government.

(5) On December 18 the Netherlands Embassy replied officially to our Aide Mémoire of May 16.† A copy of the Netherlands Aide Mémoire† is attached as it is relevant to the situation that has arisen in regard to New Brunswick. You will note that the Netherlands Government had taken the view that the agreement with the Nova Scotia Government did not enter the field of international or public law but was restricted to the sphere of private law.

(6) On January 18 officials of the Netherlands Embassy and this Department attended a meeting in the office of the Director of Immigration to discuss the contents of the Netherlands Aide Mémoire of December 18. The Director of Immigration told the Embassy representatives that the Department of Citizenship and Immigration was opposed, in principle, to any extension of *direct* participation by the Netherlands Government in farm financing in Canada because the Canadian Immigration authorities wished to see our Federal Government assume responsibility in this field and any intervention by foreign governments reduced the arguments in favour of the type of assistance our Immigration Department has been urging on the Department of Finance since the end of the last war. The Department of Citizenship and Immigration would not have the same objections to agreements between private financial agencies in Canada and the Netherlands, even if, as was possible, the Netherlands Government provided Netherlands companies with guarantees against losses. At the conclusion of the meeting the Embassy representatives disclosed they had been approached by the New Brunswick Government which had expressed interest in concluding an agreement with the Netherlands Government similar to the Netherlands-Nova Scotia agreement.

(7) On January 22 the Netherlands Embassy agreed to withhold a substantive reply to the letter it had received from the New Brunswick Government until we had had an opportunity to consult you.

2. I think we would be within our rights if we asked the Netherlands Embassy to ignore the request from the New Brunswick Government and to withdraw from its agreement with the Nova Scotia Government. This course, however, might be resisted by the Nova Scotia Government — perhaps supported by the New Brunswick Government — and a complex court action could follow. I would prefer to recommend another course which has been

suggested indirectly by the Netherlands Embassy's Aide Mémoire of December 18 and which has received the concurrence of officials of the Department of Citizenship and Immigration. This would involve telling the Netherlands Embassy that we would have no objection to an agreement being entered into with the New Brunswick Government which could provide the same benefits for Netherlands settlers as their counterparts in Nova Scotia were receiving, providing the New Brunswick Government dealt with private financial agencies in the Netherlands — which in turn might receive guarantees from the Netherlands Government — rather than directly with the Netherlands Government through the Netherlands Embassy.

3. If it were considered desirable to attempt to remove the precedent created by the Nova Scotia agreement, this might be done in several ways:

(a) An approach might be made to the Nova Scotia Government with a suggestion that some alternative way of achieving the same result as their agreement with the Netherlands be worked out. One possibility is that the Federal Government itself might enter into an agreement with the Netherlands and then, subsequently, enter into an agreement with Nova Scotia.

(b) The Netherlands Government might be asked to suggest to the Nova Scotia Government that the agreement be renegotiated between Nova Scotia and private parties in the Netherlands.

(c) The Canadian Government might pass legislation under the "Peace, Order and Good Government Clause" of the B.N.A. Act, either prohibiting all transactions between Provincial Governments and foreign governments, or, alternatively, specifying subjects on which the provinces might make contracts with foreign governments. As an alternative to legislation, an advisory opinion could be sought from the Supreme Court on the contractual powers of the Provinces in relation to foreign governments.

4. It is not a certainty that any of these courses would succeed. All of them could lead to a reference by Nova Scotia to the Courts. In view of the opinion passed on by Premier Hicks to Mr. Winters that the Provinces have a share in the treaty-*making* power, Course (a) might well lead to a proposal that a reference be made. Course (b) could conceivably lead to Nova Scotia deciding to refer the case to the Courts since the intervention of the Federal Government would be quite apparent. However, this course would be more likely to succeed, particularly if the Netherlands Government "requested" revision on the lines suggested in the case of the New Brunswick request. Course (c) might also lead to a reference. Apart from the legal feasibility of this last course of possible action, it has, as you will realize, important political implications. Its premise is that the Provinces have not the capacity to contract with foreign governments at all, except perhaps in respect of matters which the Federal Government might decide. My own view would be that such a definitive settlement as is involved in Course (c) being linked as it is with the whole question of the distribution of authority between the Federal and Provincial Governments might better await the consideration of the whole question of constitutional amendment. With the possible consequences of the courses of action suggested in paragraph 3 above in mind, we asked the Department of Justice informally for its opinion of their merits. Beyond saying that he was not prepared to advise that the Canadian Parliament had power to pass legislation along the lines suggested in 3(c), Mr. Varcoe declined to comment without giving further serious study to the problem. I would suggest, therefore, that no effort be made to disturb the existing agreement between the Netherlands Government and the Nova Scotia Land Settlement Board until we have further advice from the Department of Justice. If you agree, a formal opinion on the legal capacity of Provincial Governments to make contracts

with foreign governments will be sought from the Department of Justice immediately. Some time is likely to elapse before Justice's formal views are available.

5. Your views on the following suggested immediate courses of action will be appreciated:

(1) That as a first step the Netherlands Ambassador should be called in, given some knowledge of the problems that have arisen for us in connection with the Netherlands-Nova Scotia agreement and told that the only basis on which we could consider a Netherlands-New Brunswick agreement would require participation by private agencies in the Netherlands rather than the Netherlands Government. We would, of course, have no objection to the Netherlands Government providing guarantees for the private agencies. In view of Justice's current indecision, we would not wish the Netherlands Government to take any steps at this time to re-negotiate its agreement with the Nova Scotia Land Settlement Board.[56]

(2) The Ambassador should be reminded of the opposition of our Department of Citizenship and Immigration and this Department to the Netherlands Government dealing directly with Provincial Governments in Canada with a view to making agreements with them on farm loan financing.[57]

(3) The Department of Justice should be asked for a formal opinion on the legal capacity of the provinces to make contracts with foreign governments and, in particular, whether a distinction can be drawn between an agreement made by a province in its business or private capacity such as, for instance, a contract for the sale of goods or for the renting of premises, and a political agreement negotiated in its public capacity.[58]

6. Depending on the opinion received from the Department of Justice in connection with 5(3) above, you might wish to consider the desirability of informing foreign governments that contractual relations between them and the provinces when political implications are involved should not be undertaken without the prior knowledge and approval of the Federal Government and that the Federal Government would wish to be in a position to determine beforehand whether there are such implications. This might be done informally, when suitable opportunities arise or depending upon Justice's opinion, we might even consider a more formal approach to foreign missions, or, alternatively, and perhaps preferably, we might decide we would be in a position to instruct our missions abroad to advise other governments confidentially of the situation. It would remain to be determined whether we should approach all governments or only those which would be more likely to have contractual relations with the provinces.[59] In the case of governments which might conceivably take advantage of our difficulties we might be better advised not to advertise them.

7. In view of the circumstances under which the Netherlands-Nova Scotia Agreement was negotiated and the difficulties for us that have resulted, a firm line[60] with the Netherlands Ambassador to impress him with the seriousness of the situation from our

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[56] Note marginale :/Marginal note:
OK [L.B. Pearson]

[57] Note marginale :/Marginal note:
OK [L.B. Pearson]

[58] Note marginale :/Marginal note:
OK [L.B. Pearson]

[59] Note marginale :/Marginal note:
I don't think we need take the matter up with other foreign gov[ernmen]ts yet. [L.B. Pearson]

[60] Note marginale :/Marginal note:
? [L.B. Pearson]

standpoint would, in my opinion, be fully justified. The Netherlands Government undoubtedly would be impressed if our views were presented to their Ambassador on this occasion by you. Would you be prepared to see him?[61] Your comments on paragraph 5 above would be helpful if you would prefer that I see Mr. Lovink. Your comments on paragraph 6 would be appreciated also.[62]

J. L[ÉGER]

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427. DEA/74-V-4-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 468 London, March 14, 1957

CONFIDENTIAL. IMPORTANT.

AIR TRANSPORT: BOAC SCHEDULE

The Ministry of Transport and Civil Aviation have asked for the reaction of the Air Transport Board to the following proposal of BOAC. Please refer this message also to the Deputy Minister of Citizenship and Immigration.

2. As you know, the immigrant fare from the UK to Montreal has been extended to June 30. BOAC propose to operate three additional flights one in each of March, April and May. In order to extend their scheduled service further in May and June, they have arranged to charter aircraft from Air France, KLM and possibly SAS. In addition to the three additional flights using their own aircraft, the Air France aircraft would be used for two flights in May and seven in June; the KLM aircraft for one flight in May and three in June, with SAS still an unknown quantity. The planes would be Constellation 749s. BOAC maintain that they are legally entitled to increase their scheduled services in this way. It was divulged that the Air France return trips are covered by charters from the USA.

3. While we would not suggest that this plan should be rejected because up-lift rights for the ABC flights in April have not yet been granted, MTCA have still not approved ABC flights after the end of this month pending further discussion of the possibility of including Air Charter Limited in the ABC programme. An ICEM representative is discussing this with Air Charter today and we will put pressure on MTCA tomorrow morning to clear pending applications for up-lift rights on ABC flights.

4. As you may know, the first two ABC flight are leaving London and Prestwick tomorrow each more than half filled with Hungarian refugees largely due to insufficient time for ticket sales. The BOAC plan suggests significant competition for ABC and they are exploring the possibility of extending it throughout the summer.

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[61] Note marginale :/Marginal note:
I think that it would be satisfactory if the USSEA saw him. L.B. P[earson]

[62] Note marginale :/Marginal note:
I do not fully agree with paras 6 & 7, & should like to discuss this matter with you. I agree however with para 5. J. L[éger]

428. DEA/232-BK-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], March 22, 1957

NETHERLANDS-PROVINCIAL AGREEMENTS ON FARM LOAN GUARANTEES
FOR SETTLERS FROM THE NETHERLANDS

In accordance with your instructions we discussed this matter with Mr. Lovink who was accompanied by Mr. Pieters his expert in this field.

2. First we explained that agreement between foreign and provincial governments created difficult constitutional problems for us; we pointed out also that political implications might arise. For these reasons it was emphasized that the Departments of External Affairs and of Citizenship and Immigration remained opposed to direct contractual relationships between foreign and provincial governments. We indicated that the matter had been submitted to you and that we were speaking on your instructions.

3. While we did not wish to suggest that the Netherlands-Nova Scotia Land Settlement Board Agreement should be disturbed for the present, we indicated that we would be prepared to agree to an extension of such an arrangement only in the case of New Brunswick and this on the understanding that the Netherlands Government would not be involved directly. We recalled the suggestion that private financial agencies in the Netherlands might intervene if necessary with guarantees provided by the Netherlands Government.

4. As to the future, we made it clear that the Departments concerned were opposed to the extension of direct participation by the Netherlands Government in farm financing in the provinces and that we expected to be kept fully informed of any future negotiations with the provincial governments.

5. The Ambassador and his official accepted readily our suggestions. They made the following points:

(a) The agreement with the Nova Scotia Land Settlement Board had been concluded on the assumption that only private law was involved. All concerned had acted in good faith.

(b) Intervention by private firms as we suggest will involve additional costs.

(c) If private agencies in the Netherlands contact provincial authorities direct, the Embassy here may not be in a position to intervene.

6. It was agreed that Mr. Pieters would keep Mr. Malone directly informed of any developments in this field and that if the opportunity presented itself he would advise private agencies confidentially of the attitude of the Canadian authorities.

7. The Embassy now appreciates our position and I am confident that it will avoid further embarrassing moves.

J. L[ÉGER]

429. DEA/74-V-4-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM C-315 Ottawa, March 25, 1957

CONFIDENTIAL. IMMEDIATE.
Reference: Our telegram C-314 March 22.
Repeat Paris (Important) (Information).

AIR TRANSPORT BOAC SCHEDULE

Immigration today gave us the following message for you, begins:

"The Director of Immigration has today discussed this matter fully with the Air Transport Board officials. The Air Transport Board will approve BOAC's request to extend their schedules provided the aircraft are leased. The leasing arrangements would require that BOAC operate the aircraft with their own facilities and their own crews.

"It is understood also from the Air Transport Board that Air France have made application to operate chartered flights to Montreal, P.Q. The Air Transport Board have no objection to the operation of chartered flights to Montreal by Air France if they use their own facilities and crews." Ends.

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430. DEA/74-V-4-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 885 London, March 27, 1957

CONFIDENTIAL. MOST IMMEDIATE.
Reference: Your telegram C-315 March 25 and our telegram 468 March 14.

AIR TRANSPORT: BOAC SCHEDULE

MTCA and CRO have expressed strong disappointment with — and urge reconsideration of — Air Transport Board's reaction to BOAC proposal. It was not BOAC intention to operate other line's aircraft with their crews and it is not, repeat not, practicable for them to do so.

2. MTCA have pointed to the sentence in Mr. Pickersgill's letter to Mr. Butler dated March 16† (which latter has referred to MTCA urging immediate action on penultimate paragraph), which says "I can assure you that we will take advantage of any transport available at reasonable rates to speed up the arrival both of Hungarian refugees and British immigrants .....". They also point out that they cooperated in the ABC arrangements by giving approval in principle overnight to 350 flights whereas it has taken ten days or so to produce what is in effect a refusal of BOAC's proposal covering about 20 flights. Having

failed to obtain inclusion of any British operators in ABC flights they are pressing hard to get something for BOAC and consider that Mr. Pickersgill's letter leads them to expect a favourable response. In view of this perhaps you could also refer this message immediately to Mr. Pickersgill.

3. Indications are that we may expect high level representations on this matter here. BOAC have obtained extension of charter options until Saturday morning March 30.

4. If there is no possibility of approving BOAC plan we would appreciate full explanation of position. We may also expect further irritating difficulties over ABC arrangements. Uplift rights for April only have been approved.

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431. DEA/74-V-4-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM C-358 Ottawa, March 28, 1957

CONFIDENTIAL. IMMEDIATE.
Reference: Your telegram 885 March 27.

AIR TRANSPORT — BOAC SCHEDULE

The following message from Mr. Fortier is being sent with an Immediate priority rather than Most Immediate as we have been assured by communications that it should reach you with the Immediate priority at 9 a.m. Friday March 29. Message begins:

Your cable of March 27 was discussed today with the Air Transport Board and on representation by Department Citizenship and Immigration the Air Transport Board agreed to the following. They agreed in principle to grant landing rights to carriers that is to say Air France, KLM and SAS who should apply directly to the Air Board in the ordinary way for these landing rights.

2. The chartering by BOAC of aircraft from Air France, KLM and SAS to be on an agency basis and for the carriage of immigrants only and the number of flights to be limited to a maximum of twenty.

3. The Air Board reached this decision in view of your quotation from Mr. Pickersgill's letter to Mr. Butler dated March 16 giving assurance that we would take advantage of any transport available at reasonable rates to speed up the arrival both of Hungarian refugees and British immigrants. If it had not been for the assurance given by Mr. Pickersgill, the Board would not have agreed to the proposal of BOAC, which it is considered could have serious repercussions in the administration of scheduled air flights for authorized commercial carriers. However, as Mr. Pickersgill had stated we would take advantage of any transport available at reasonable rates to speed up arrival of Hungarian refugees and British immigrants, the Board agreed to the compromise that BOAC on an agency basis could charter these additional flights for the transportation of immigrants.

4. It should be brought to the attention of MTCA and CRO that Canada is very disappointed that notwithstanding the fact that approval was given in principle to the 350 flights of ABC, so far they have granted uplift rights only for March and April — these decisions being made only a few days before the scheduled operation. Air Transport Board having

agreed as above to BOAC proposal it is now expected that MTCA and CRO will give approval for the whole ABC scheme, which would allow us to plan our operation and obtain better results.

5. The Department of Citizenship and Immigration have also under consideration reducing the rates of ABC to Toronto, to an amount of about $10 less than the immigrant rates from Prestwick or London to Toronto. The reason for considering such a reduction is that ABC is not using pressurized aircraft; also, passengers of ABC are allowed only 44 pounds baggage while (contrary to the usual practice) the commercial lines are now allowing the immigrants 66 pounds, and finally for the reason that too much immigrant traffic is now being flown through the U.S. route which causes lots of difficulties and problems upon the arrival of the immigrants in Canada. The Canadian Air Transport Board have no objection to Immigration reducing ABC rates and you have indicated that you did not foresee any difficulties with the British authorities. When decision is reached one way or the other you will be duly informed.

6. The reason why the number of flights was limited to twenty is that this was within the limit of the request by BOAC and in addition, we have been informed that if the Air Board was granting this privilege to BOAC, TCA will also request a similar privilege. We are still optimistic that the flow of immigrants from UK justifies additional transportation, but a review of the situation and the bookings made so far by ABC would indicate that there is more transport available than applications for transportation for the time being. It is not during the spring period that additional transportation appeared to be needed, in view of the ABC flights; there will be more need for additional transportation during July and August, for immigrants.

7. If the above proposal is not agreeable to BOAC, MTCA and CRO, we would, to our regret, have to consider leaving the responsibility of discontinuing the ABC scheme to the British authorities by refusing uplift rights for May, June, July and August. Message ends.

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432. DEA/74-V-4-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 612 London, March 29, 1957

SECRET AND PERSONAL. IMMEDIATE.
Reference: Your telegram C-358 March 28.

AIR TRANSPORT — BOAC SCHEDULE

Following from Robertson for the Minister and for Minister of Citizenship and Immigration.

1. As a result of mechanical trouble in our Communications Department, your message did not reach me until late this afternoon. Its gist was communicated at once to CRO and MTCA, and we expect to get their reply some time this evening.

2. I did not transmit the threat implicit in the final paragraph of your message because I hope it will be possible to find some mutually acceptable way out of the present tangle.

3. Though the subject of emigration from this country to Canada was not on the agenda for the Bermuda talks, in my judgment it is and will be for the next few months the most important and the most sensitive question that could trouble good feelings between the UK and Canada. It has to be handled pretty carefully and quietly both here and in Ottawa, because it can touch and inflame very sensitive political nerves in both countries.

4. There is no doubt that a good many responsible people in this country are puzzled and disturbed by the sharp and substantial increase in interest in emigration in recent months. It has been variously related to Suez policy, prospects of employment in the motor industry, renewed worry about this island's vulnerability in another war, etc, etc. This widespread tendency to think and talk about the possibility of emigrating is not unnaturally linked pretty closely with the prospect of Canada, which is envied its oil and admired for its foreign policy. UK Ministers are in an awkward position. They put the best face they can on the movement of people toward other Commonwealth countries and they welcome it in principle (see my telegram 597 March 28†), and continue to cooperate closely with the countries of immigration. They take comfort from what are expected to be the long-run social and economic effects of this movement, but they are undoubtedly concerned about what may be the short-run political effects at home.

5. Against this general background I am very disturbed lest a wrangle about supplementary landing rights in Canada requested by BOAC blow up into a public controversy in which the UK would be put under pressure to withhold further uplift rights for the ABC charter service. I am not familiar enough with the history and details of the original chartering arrangements made by ICEM to know whether there is much substance in the feeling of UK air lines and charter services that they were treated rather cavalierly, nor can I form an opinion of the reasonableness of the conditions imposed by our Air Transport Board in granting supplementary landing rights for BOAC. What I am sure of, however, is that we should not let what seems to boil down to a conflict between the special interests of our chosen instruments land the two governments in a public difference of views which could lead to real political trouble in both countries through its repercussions on general migration policy.

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433. DEA/74-V-4-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM C-374 Ottawa, April 11, 1957

CONFIDENTIAL. OPIMMEDIATE

Reference: Your telegram 671 April 5.†

AIR TRANSPORT — BOAC SCHEDULE

The Chairman of the Air Transport Board has provided the following comment on your telegram under reference, Begins:

"With respect to the request of BOAC for authority to charter aircraft from Air France, KLM and SAS for the carriage of extra traffic including immigrants to Canada, I have had discussions with Mr. McDougall of BOAC and have informed him that the Air Transport Board is prepared to authorize 7 charter flights to be operated by Air France in June and to be integrated as extra sections of BOAC operation. It will be necessary for Air France to apply to the Board for authority for these flights in accordance with our usual procedure. Mr. McDougall has stated that this arrangement is satisfactory to BOAC and that there will be no further difficulty in the matter."

2. Since our Air Transport Board has been in touch with the BOAC representative in Montreal directly no further action by you appears necessary beyond informing MTCA of the contents of the message from the Air Transport Board quoted above and requesting final approval for entire ABC schedule.

3. With reference to paragraph 3 of your message ABC rate to Toronto is remaining unchanged.

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434. DEA/74-V-4-40

Le haut-commissariat au Royaume-Uni
au sous-secrétaire d'État aux Affaires extérieures

High Commission in United Kingdom
to Under-Secretary of State for External Affairs

LETTER NO. 802 London, May 8, 1957

CONFIDENTIAL

Reference: Your telegram C-374 of April 11.

AIR TRANSPORT, BOAC SCHEDULE, AND AIR BRIDGE TO CANADA

In a letter† summing up the discussions on the above two subjects, the Ministry of Transport and Civil Aviation have confirmed that they are proceeding with granting up-lift rights on application for ABC flights although they comment that this is being done on the basis of their understanding that the BOAC plans will be completed.

2. This letter brings to our attention that there has been a certain amount of difficulty at London Airport arising out of the irregular departure times of some of the ABC flights. There has been some improvement in this respect but in any case the point has been brought to the attention of the Air Bridge to Canada organization.

3. M.T.C.A.'s letter also asks us to bring to the attention of the appropriate Canadian authorities two further points in connection with the ABC arrangements. These points are as follows:

"The first is that we have not been at all happy about the entrusting of this movement to ICEM. It is of course entirely a Canadian affair and we have gone along with it accordingly, but we would have expected the established channel for immigrant movement, operated by TCA and BOAC, at least to be given "first option" on the task, and think that if this had been done a number of difficulties would have been avoided. We are comforted as to the future by the assurances to this effect which Mr. A.H. Wilson received on his recent visit to Canada.

"The second point arises out of the proposal to handle the BOAC participation by stepping up their scheduled services with chartered aircraft. You will recall that we have throughout regarded this as within BOAC's rights under the bilateral agreement between our two countries, and we asked that it be put to Ottawa more as a courtesy and as a precaution than with any expectation that it would encounter difficulty. We were therefore at a loss to understand the way in which the proposal was initially handled by the Air

Transport Board, and I should make it clear that we adhere to the view that BOAC are entitled to operate extra-to-schedule flights, such as those now to take place in June, merely on notification".

In acknowledging the letter we have mentioned that these matters had already been discussed and that our views on the former at least had been adequately set out. If you have any comments you would like us to pass on to M.T.C.A. on either of these points, we shall be glad to do so.

GORDON COX

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435. DEA/74-V-1-40

Le représentant permanent auprès de l'Office européen des Nations Unies au secrétaire d'État aux Affaires extérieures

Permanent Representative to European Office of United Nations to Secretary of State for External Affairs

DESPATCH NO. 367 Geneva, May 22, 1957

CONFIDENTIAL

Reference: My despatch No. 325 of May 1, 1957.†

CANADIAN MEMBERSHIP IN THE INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

At this time when the question of Canada's continued membership in the Intergovernmental Committee for European Migration is presumably to be reviewed, I thought it might be helpful to you if we were to submit some of the thoughts which have been developing in our minds as a result of the close experience we in this Mission have had with ICEM Headquarters in Geneva.

2. First, I would say that it cannot be an easy exercise to assess the value, both to Canada and to countries friendly to us, of our participation in ICEM's work as a member of the Committee. This of course is mainly because there are other than merely material or technical aspects involved in this question; some factors must be taken into account before coming to a decision which, because they are in the nature of imponderables cannot be as easily assessed. The relative importance and weight given to those factors is also bound to lead to different interpretation and conclusions depending on the initial approach taken.

3. We have been aware that from time to time for the past two or three years, a number of arguments have been marshalled for and against Canadian membership in ICEM. Perhaps if we were to review some of these arguments in the light of our experience in Geneva, it might be useful for you in coming to a final decision on the matter.

4. To begin with, I wish to emphasize that whatever the Canadian Government may decide with regard to its membership in ICEM, we are convinced that, with continued strong United States support, the Committee will carry on its activities. It is well-known that ICEM is, in many ways, a policy instrument used by the United States to divert pressure exercised on them to relax the restrictionist quotas of their immigration legislation. This, of course, is not a healthy phenomenon and the fact that the United States contribute so extensively to the financial support of the Organization in no way improves the situation which has slowly transformed the Organization into what one could almost call a United States agency. For these reasons, our departure from the Organization would be all the

more distressing to some of our friends, and in particular to the Australians, since it would increase the imbalance already existing.

5. As I understand it, the chief reasons which prompted the Cabinet to reach its June 1955 decision to leave ICEM at the end of 1957, were (a) that ICEM was considered as no longer offering any advantages not only to Canada but generally to other member countries, (b) that it was a means whereby Australia was able to compete more easily with Canada in the migration field and (c) that, on balance, it would be preferable if ICEM were to disband completely since it had, for all practical purposes, completed the tasks assigned to it when it was set up in 1951. Indeed, the main reason for Canadian participation in the Organization in the first place was that ICEM was in a position to provide the necessary shipping to move migrants from Europe to Canadian shores. This situation held during the first years of operation and, I believe, even up to 1954. While there occurred a decrease in migrant intake during 1955, the year 1956 again saw Canada make use of ICEM transportation facilities for farm workers who had to be recruited and transported urgently to Canada. We did not, however, call on ICEM for assistance in transporting the "normal" flow of migrants during 1956, but I understand that that year was nevertheless a difficult or "tight" one during which all available transportation was being used. Finally, as far as the present year is concerned, we are all aware of the large-scale ICEM-managed operation nick-named the "ABC" airlift set up for the purpose of moving to Canada upwards of 25,000 United Kingdom immigrants. You will of course be in a better position than we to determine how essential it was to involve ICEM in this airlift. In other words, we do not know whether ICEM was a necessity or a mere convenience.

6. When looking retrospectively, therefore, it strikes one that on the whole, Canada has in fact made use, to a fairly large extent (except in 1955) of ICEM transportation facilities ever since 1951. Indeed, it now seems that, with the important movements now taking place for 1957, we have come full circle and that we are at present appealing to ICEM for increased assistance, in any case as much if not more than five or six years ago. It can of course be argued that 1957 is a special year and that the migration flow is unlikely to be as considerable in successive years. We are not certain, however, to what extent it can be predicted that "special" years no longer lie ahead of us which would require outside assistance. No doubt when the recommendation to Cabinet was drafted in 1955, it was considered that Canada would no longer need these ICEM services. However, due to unexpected developments, it has turned out that ICEM is now being asked to arrange for the movement across the Atlantic of very substantial numbers of migrants from the United Kingdom. This should obviously provide food for thought when reaching a further decision this year, for it seems to us that the art of forecasting in immigration matters is a very difficult exercise which can hardly be usefully performed for many years ahead. Planning on a yearly basis appears to be the procedure likely to offer the best results in view of the numerous factors both domestic and foreign, such as economic development, recession, unemployment, pressure of population, political circumstances, etc., which must all be taken into account.

7. In this connection, it also seems to me that we are witnessing in the migration fields new trends which must also be weighed before a final decision is taken. I refer particularly to the refuge influx and movements of which we have seen a very sharp increase since Cabinet's decision in 1955. These developments have entailed additional work which has superimposed itself on ICEM's normal operations. In this connection, you will see from the attached Table† (MC/INF/43) that, excluding the Hungarian Refugee Programme amounting to 42,085 movements, ICEM has transported, in 1956, 36,531 refugees falling under the High Commissioner's mandate. This figure is higher than in any previous year of the Committee's existence. I doubt whether any one would argue that it was improper for

the Committee to take on these new assignments as they presented themselves. Refugee movements are the result of political events, and he would be very sanguine who would claim to predict that in the next few years the situation will improve. It seems to me that ICEM's performance all through the Hungarian crisis, and its availability to assist those who are now fleeing Egypt once they have reached Europe, is proof enough of the Committee's usefulness and supports the argument of those who claim that the Committee's tasks are not yet completed.

8. In other words, it would be difficult to imagine how the Office of the High Commissioner for Refugees could fulfil its functions as satisfactorily as it is now doing, if ICEM were not there to assist it in this field. Those members of the UNHCR whom we have approached have a very high regard for the Committee and have emphatically told us that ICEM's disappearance would require the establishment of some other body able to cope with the movement of refugees. Mr. Lindt himself makes this point very forcefully when he states in document A/AC.39/75 of May 6, 1957, to be considered by the UNREF Executive Committee at its Fifth Session, that in order for him to deal with any large-scale refugee emergency, it is necessary for him to be supported by, inter alia, the League of Red Cross Societies and the Intergovernmental Committee for European Migration. Consequently, if Canada wishes to continue contributing its share in solving refugee problems, it is an argument against dissociating ourselves from ICEM. The United Nations High Commissioner for Refugees has established very close working cooperation with ICEM and relies heavily on it for the performance of the numerous practical arrangements associated with the movement of refugees, such as selection, placement facilities, providing of data on openings for settlement in various countries, Hungarian movements out of Austria and Yugoslavia, etc. This close cooperation is particularly true since the Hungarian influx began although it is by no means a new development. I think, therefore, that it would be correct to say that if Canada were to leave ICEM, such a gesture would not be conducive to a fruitful Canadian contribution in finding solutions to refugee problems. In other words, the reliance being placed on ICEM facilities by the High Commissioner for Refugees to assist him in his refugee operations in Austria, Yugoslavia, the Far East and from the Middle East, must be considered as an important aspect of the whole picture.

9. Thus, recent trends, the permanency of which would be difficult to predict, have obviously modified the work of ICEM in recent months. The Organization which was set up to transport a flow of "normal" migration from Europe to overseas countries, is now preoccupying itself with a type of work reminiscent of IRO days. These talks have been imposed on the Committee by circumstances beyond its control and how long they might last would be very difficult to say. They are the facts of life with which we have to deal and any persistence in the argument that ICEM's mission is terminated is, in my view, mistaken.

10. Even if one does not take into account the very necessary operations performed on behalf of refugees, there nevertheless remains the long standing problems created by the population pressures which are still being felt in many European countries. In this field there appears to be no outlook for improvement in the next few years and the question is thus raised as to what alternative would exist if ICEM were to disappear from the international scene. The Committee is in my view the only organization capable of pursuing, in a consistent and effective manner, the purposes which the situation requires i.e. insuring a steady stream of migrants from the overpopulated areas of Europe to the still to be settled overseas countries. If one believes that Canada should contribute its share in insuring a more stable, economic and social order in the Western world, it is hard to see how we could wash our hands of the whole problem, leaving those of our friends in more difficult straits to fend for themselves. In this connection, the Australian representative in Geneva

has repeatedly emphasized to us how badly his country needs the Committee in order to meet the aims of their immigration programme which is meant to strengthen Australia against the whole of Asia lying to the North. The only way for the Australian Government to obtain the necessary shipping to carry the migrants is through ICEM to which they are giving increasing financial and moral support. In consequence, the Australians here have told us how concerned they are at the prospect of Canada leaving the Committee. Our presence at their side in the Organization strengthens their hand in the face of the anti-immigration elements in Australia who remain opposed to the principle of accepting immigrants from certain areas of Europe. Granted that the Australian appeal to us is being made on humanitarian and altruistic grounds; this does not make it any less important. Actually, if the Cabinet decision were to stand, Canada would be leaving the Committee when more governments have come to be more interested in its work than ever before i.e. Spain, South Africa, Luxembourg. The reason behind this increase in interest may well be the realization that ICEM provides the only machinery designed to supplement national efforts in the field of migration. Another advantage is that the Committee is strictly Western in its membership, thus allowing us to cope more effectively with problems which are, after all, strictly of Western concern.

11. To end, I should like to refer briefly to the problems of a financial and organizational nature which face ICEM. As you know, the last sessions of the Executive Committee and Council failed to come to grips with these perennial problems which have been afflicting the Organization almost since its inception. (See my despatch No. 325 of May 1, 1957†). On the very item of the agenda (Future activities of the Committee and Methods of Financing) which would have allowed for a worthwhile airing of views and discussion of possible solutions, the Committee's action was, in our view, unsatisfactory in the sense that the decisions taken will not be sufficient to meet the needs and solve the Committee's difficulties by providing a sounder financial structure. The Council did little else but to refer the matter anew to the Administration (i.e. the staff), which is expected to obtain from member countries more substantial contributions in order to ensure a continued high level of movements. I think that the Committee was overly optimistic in so doing, since the Director will again have to approach Governments who appear either unable or unwilling to agree to the basic principle that movements must be self-financing and that those countries having the greatest interest in certain operational budgets must ensure, by their own means, that resources are available to feed those budgets.

12. However, the present unsatisfactory situation should not detract from the fact that the new budgetary structure may provide a definite improvement over past practices in this respect. In my view, the new arrangements whereby budgets are divided into three parts should facilitate our placing on the record any Canadian intention of contributing only to those budgets from which we derive the greatest benefits or to those operations which we might consider as meriting our assistance.

13. You may wish to send a copy of this to our Embassy in Washington.

M.H. WERSHOF

5^e PARTIE/PART 5

BENELUX : RESTRICTIONS SUR L'IMPORTATION
BENELUX: IMPORT RESTRICTIONS

436. DEA/12447-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 359 Washington, February 16, 1957

CONFIDENTIAL. IMPORTANT.
Repeat NATO Paris (Information).

COMMON IMPORT QUOTAS IN BENELUX CUSTOMS UNION

The Benelux countries have informed the USA of certain common quotas which they are introducing as of January this year. According to Weiss and Corse, the initial State Department reactions expressed to the representatives of Benelux were "strongly adverse". The Benelux note stated that these new arrangements would "in general" give fuller access to the markets of the three countries. The recipient of the note in the State Department queried what was meant by the apparently limiting words "in general". He also inquired how the Benelux authorities had arrived at the specific items included in the common quotas. He went on to ask the Belgian representative to what extent his country had in fact been observing such quotas before the introduction of this system. The State Department official pointed out that there appeared to be no balance of payments justification for such restrictions and most of them (for example, automobiles) were not covered by the hard-core waiver. Finally, he questioned whether the common quota system for the Benelux countries was consistent with Article XXIV of the GATT.

2. Weiss and Corse expect that the USA will be making more considered and vigorous representations in the three capitals, possibly next week. They may also raise the matter in the GATT consultations involving these countries.

3. The State Department concern over this development relates not only to the obligations of these particular countries under the GATT and to the effect which this action might have on USA access to their markets, but also to the consequences which acceptance of this device might have for the Messina Customs Union which would undoubtedly profit from the experience of Benelux.

437. DEA/12447-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM E-280 Ottawa, February 21, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Your telegram 359 February 16.
Repeat NATO, Paris, Brussels, The Hague and London (Routine) (Information).

COMMON IMPORT QUOTAS FOR BENELUX

We think it important not to let this occasion pass without making our views known to the countries concerned and it would no doubt be desirable for us to try to co-ordinate our representations with the United States.

2. We realize that the Belgians and the UK may regard these restrictions on the part of Belgium as being simply an attempt to protect The Netherlands from imports through the Belgian back door; nevertheless we cannot assume that this is all that the real effect will be and we would regard this as a very dangerous precedent in present circumstances. Moreover, quite apart from the precedent that would be created, we would find it disturbing to see restrictions introduced for reasons not relating to the balance of payments of the country imposing them. As you know, the legal position is that the Belgians are not entitled to impose restrictions on any products not listed in the Belgian waiver.

3. We would be grateful if you would follow this up with the State Department letting them know that we share their concern and try to find out what they propose to say and whether we could co-ordinate our approach.

4. Please make it clear that we think this strikes at one of our basic positions in respect of customs unions. We would not therefore think it wise to approach this problem with a presumption that Belgium should be given a waiver in the GATT to make this legal. We think our position should be that a waiver in such circumstances would be quite improper.

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438. DEA/12447-40

L'ambassadeur aux Pays Bas
au secrétaire d'État aux Affaires extérieures

Ambassador in The Netherlands
to Secretary of State for External Affairs

TELEGRAM 99 The Hague, February 22, 1957

CONFIDENTIAL
Reference: Washington 359 February 16.
Repeat NATO, Paris, Brussels, London (Information).
Repeat to Geneva, Rome, Bonn, Washington from Ottawa.

COMMON BENELUX IMPORT QUOTAS

We were advised informally February 19 that Netherlands Embassy Ottawa would shortly inform our authorities on this subject and that the advance info given to us here should be regarded as a friendly tip until it was possible to furnish us with an official statement.

2. It was explained that in the past each Benelux country had prepared its own import quotas by individual countries of origin and that the new quotas to be announced shortly would be "global" both with respect to the three Benelux countries and to countries of origin.

3. As Benelux countries have liberalized imports to the extent of about 95 percent, it was understood, of course, that these quotas would relate only to those few items remaining under import quota control. While not at liberty to hand us the full list our informant indicated that the new quotas would include the following: carbonic acid 240 tons; methyl chloride 40 tons; penicillin 2000 milliard oxford units; wooden packing cases 1,050,000 guilders; fishnets 48 tons; television sets and cabinets 50,000 pieces; motor cars 40,000 pieces; bicycle coaster brakes 410,000 pieces.

4. We questioned our informant as to the position of this new system under GATT rules. He assured us that this point had been carefully considered and that in the Benelux view the change would be in no way at variance with their GATT undertakings.

5. The informal manner in which this information reached us and the request that we regard it as strictly confidential until we receive the official statement leads one to suspect that the Dutch are not entirely easy in their own minds as to their GATT obligations with respect to this new system of quotas. However, it was a little difficult for us to enquire further without embarrassing our informant and we would appreciate instructions as a basis for such further enquiries if these are considered desirable in the circumstances. We will, of course, be at complete liberty to make enquiries here if you advise that The Netherlands Ambassador has presented a statement on this subject to you.

[T.A.] STONE

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439. DEA/12447-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 460 Washington, February 26, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Your E-280 February 21.

COMMON IMPORT QUOTAS FOR BENELUX

Ryss of the State Department's Trade Agreements Division gave us this morning a copy of a draft USA note concerning the common Benelux import quotas (the text of which is contained in my telegram 450 February 26†). He explained that the State Department officials concerned were inclined to have representations on this matter made in the form of such a note to Benelux embassies here, rather than through USA missions in the three Benelux capitals. It is hoped that the note will be ready for delivery in final form in the course of next week. In this regard, Ryss cautioned us about the preliminary and tentative character of the draft which has not so far been cleared with the other USA departments concerned.

2. We told Ryss we shared the USA concern over this development and would no doubt make our views known to the Benelux governments. We also questioned him on the possibility of a joint or coordinated approach. He said that it was his impression that USA officials were now disinclined to have joint representations made. On the other hand, they would keep us informed of the timing of the USA representations, and our own views and comments would certainly be welcome. In these circumstances since the USA representations seem likely to be made here, we assume that you will consider making separate representations in Ottawa or the various capitals although no doubt along somewhat similar lines and about the same time.

3. Incidentally, we gathered from Ryss that the lack of any advance notice from, or consultations by, Benelux countries before the introduction of their common import quotas has added to the annoyance of USA authorities; a fact which might have some bearing on the rather strong wording of their draft note.

[A.D.P.] HEENEY

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440. DEA/12447-40

L'ambassadeur aux Pays Bas
au secrétaire d'État aux Affaires extérieures

Ambassador in The Netherlands
to Secretary of State for External Affairs

TELEGRAM 137 The Hague, March 15, 1957

CONFIDENTIAL

Repeat NATO Paris, Brussels (Information).
Repeat to Washington from Ottawa.

BENELUX GLOBAL QUOTAS

The Commercial Counsellor had an opportunity yesterday to discuss this subject with Teppema, who has just returned from the round of conferences in Paris and a fortnight holiday.

2. Teppema explained that the new global quotas result from months of negotiation. He described the operation as a necessary part of the whole Benelux plan to achieve closer integration of the economies of the three countries. The representatives of each country started the negotiations by tabling their separate lists of remaining quota items. Then by a process described by Teppema as "horse trading" they gradually eliminated a number of products from all lists and agreed upon those which would be retained in common.

3. Every item on the new global list has a story behind it, but briefly each appears to represent the insistent demands of industry in one or other country for continued protection. For example, the motor vehicles are to satisfy Belgian interests; the penicillin and coaster brakes to satisfy Dutch. In every case Teppema insists the quantities are more than generous and should in no way result in restriction of trade or discrimination.

4. Because they believe firmly that this is true the Dutch do not appear to be concerned over the GATT judgment of these Benelux quotas. Teppema concedes that there could be

some objections of an academic or technical nature but he can see no reason to object over their practical effects.

5. In reply to a question Teppema stated that it would be quite impossible to provide us with copies of the control lists in existence before the negotiations started for the preparation of the new global list. He added that this would be particularly impossible as far as Belgium is concerned as the Belgians claimed that they had completely liberated their trade and had practically no quota controls despite the fact that everyone knows that some such controls were in existence as licences to import were required and were frequently refused. However, we will secure from Teppema a complete list of the Dutch quotas in existence prior to the new global quotas and shall send this as soon as it is prepared as it might assist in checking your records and in comparing the pre-global position with what has now been introduced.

[T.A.] STONE

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441. DEA/12447-40

Note du Ministère des Affaires extérieures à l'Ambassade de Belgique

Note from the Department of External Affairs to the Embassy of Belgium

NOTE NO. 22 Ottawa, April 25, 1957

Le Ministère des Affaires Extérieures présente ses compliments à l'Ambassade de Belgique et a l'honneur de se référer à la Note nº 439 de l'Ambassade, en date du 20 février 1957,† concernant l'établissement de certains contingents d'importation communs aux pays du Benelux. Les autorités canadiennes croient savoir qu'en plus des contingents communs visant d'autres produits ont été instaurés dernièrement par les pays du Benelux à la suite de la négociation d'accords de commerce bilatéraux avec le Danemark et le Royaume-Uni. En outre, divers produits qui jusqu'à récemment pouvaient entrer librement en Belgique et au Luxembourg sur la base de déclarations bancaires ont été soumis aux exigences de licences d'importation.

L'Ambassade le sait, les relations commerciales entre la Belgique et le Canada sont régies par les dispositions de l'Accord général sur les tarifs douaniers et le commerce. Le Gouvernement canadien attache de l'importance à l'intégrité des principes et des dispositions de cet accord, en vertu duquel le commerce des deux pays bénéficie de plusieurs avantages. Or l'Accord ne permet l'application de restrictions quantitatives à l'importation que dans des circonstances exceptionnelles déterminées avec soin. Le Gouvernement canadien estime qu'une Partie contractante à l'Accord général ne peut appliquer de telles restrictions qu'en cas de nécessité déterminée par sa position financière extérieure et, qu'en outre, de telles restrictions ne peuvent être appliquées d'une manière discriminatoire que dans la mesure où le justifient certaines dispositions relatives à la position de cette Partie contractante en matière de change étranger. Les autorités canadiennes ne voient pas clairement quelle justification on peut faire valoir, d'après les dispositions pertinentes de l'Accord général, pour maintenir des contingents d'importation communs. De plus, les autorités belges ont déclaré qu'elles ne maintiennent actuellement aucune restriction pour des motifs de balance de paiements. Elles sont autorisées, en vertu d'une décision du GATT du 3 décembre 1955, à maintenir des restrictions provisoires non discriminatoires à l'égard d'un certain nombre de produits agricoles. Toutefois, les contingents communs mentionnés dans la Note de l'Ambassade sont nettement discriminatoires en faveur des

Pays-Bas; en outre ils s'appliquent à des produits que ne mentionne pas la décision du 3 décembre 1955.

Les autorités canadiennes ont étudié avec soin les dispositions de l'article XXIV de l'Accord général qui a trait aux unions douanières et aux zones de libre échange, ainsi que la décision du 3 décembre 1955, afin de s'assurer si ces dispositions fournissent une justification au maintien de contingents communs par les membres d'une union douanière qui n'ont pas une balance commune de paiements avec le monde extérieur. De l'avis des autorités canadiennes, toutefois, il est clair que ces dispositions ne reconnaissent pas que le fait d'être membre d'une union douanière justifie l'application commune de restrictions discriminatoires destinées essentiellement à protéger la balance des paiements de l'un des membres constitutifs de l'union.

Le Gouvernement canadien estime que les contingents d'importation communs instaurent des restrictions nouvelles en établissant une limite au delà de laquelle le développement normal du commerce ne serait pas permis et en faisant intervenir un élément de contrôle administratif. Il en serait ainsi même si l'on pouvait démontrer que les contingents effectivement établis à un moment donné étaient tels qu'ils ne feraient pas baisser les importations au-dessous des niveaux antérieurs.

Dans toutes ces circonstances, le Gouvernement canadien s'inquiète de l'établissement de contingents d'importation communs par les membres du Benelux, qui ne peut manquer de soulever des problèmes dans les relations commerciales entre le Canada et ces pays et pourrait entraîner des complications malheureuses pour la structure générale du commerce multilatéral. Le Gouvernement canadien espère donc que les Gouvernements de Belgique, du Luxembourg et des Pays-Bas trouveront moyen d'examiner de nouveau ces mesures en vue de les supprimer, conformément à la politique et aux principes qui lient le Canada et ces pays.[63]

6e PARTIE/PART 6

AUTRICHE : TRAITÉ D'ÉTAT
AUSTRIA: STATE TREATY

442. DEA/50129-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], April 6, 1956

AUSTRIAN STATE TREATY — CANADIAN ACCESSION

In making his first call on the Head of the European Division yesterday, Dr. Waldheim, the new Austrian Minister, made a formal request for the Canadian Government to give favourable consideration to acceding to the Austrian State Treaty. With apologies for discussing business on his first call, he said that he had received instructions, two days after his arrival, to make this formal request. Mr. Ford replied that we would certainly consider

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[63] Note marginale :/Marginal note:
Given to M. Lonnay. Apr 26 J.F. G[randy]

it and that he would notify you before Dr. Waldheim calls on you, as he hopes to do shortly.

2. Dr. Waldheim said he realized that his Government had been very slow in deciding to make an official request for Canadian accession and he understood that we might be reluctant to accede before other Western countries closer to Austria had done so. Our position was, he thought, perfectly understandable, but he wanted us to know that his Government, in an attempt to balance the accessions of Yugoslavia, Czechoslovakia and now of Poland, were making similar representations to two or three countries of Western Europe, to New Zealand, Australia, South Africa[64] and one or two of the South American countries, in addition to Canada as a North American country.

3. We had already heard from both Washington and Vienna that the Austrians are showing renewed interest in securing the accessions of some Western States to balance the Eastern European accessions. According to the State Department the French have agreed to support Austrian representations in the Benelux countries, the United States in Greece, and the United Kingdom in Canada.

4. So long as we had no clear political interest in acceding to the Austrian State Treaty, and since the Austrians had done little more than mention the matter informally, we had, as you know, been waiting not only for other Western countries to take the lead but for some progress to be made by the Austrians in settling the principal Canadian claims in Austria. Recently Mr. Bentley of the Woodcot Estates has been appointed one of the three public administrators of the Bruck Sugar Factory. So far, however, there has been no progress in settling the claims of Mr. Van Sickle's oil interests, although the Austrian State Secretary has promised that something will be done after next month's elections. Mr. Cox has, as you know, consistently recommended that further progress on these claims should be made before Canada acceded to the Austrian State Treaty. (A copy of Mr. Cox's latest despatch† on this subject is attached.)[65] If, however, we were to decide that for political reasons it was desirable for Canada to accede, I rather doubt that the failure of the Austrians to settle these claims should stand in the way and I would not put the case for postponing action on these grounds, particularly as the connections of both Van Sickle and the Bentley estates to Canada are, to say the least, rather tenuous.

5. When Dr. Waldheim comes to see you, I suggest, if you agree, you might reply along the following lines:

(a) Canada has no objection in principle to acceding to the Austrian State Treaty.

(b) We have not done so because until recently the Austrians showed no great interest in securing our accession, nor were there any Canadian interests to be served by acceding.

(c) It would seem to us more appropriate that the accessions of Czechoslovakia, Poland and Yugoslavia should be balanced by the accessions of Western countries closer to Austria than Canada; in any case we see no particular reason for "leading the parade" but remain open to the possibility of acceding later, if some of the Western European powers decide to do so.[66]

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[64] Note marginale :/Marginal note:
apparently never made! (4/11/56) [auteur inconnu/author unknown]

[65] Note marginale :/Marginal note:
I think that Mr. Cox should now follow up these claims before we take any action re accession L.B. P[earson]

[66] Note marginale :/Marginal note:
I agree [L.B. Pearson]

6. The implication of this position would be that the Canadian Government would be prepared to accede to the Austrian State Treaty within two or three months if at least two[67] other Western countries[68] had done so in the meantime. Do you agree?

R.M. M[ACDONNELL]
for Under-Secretary of State
for External Affairs

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443. DEA/50129-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], July 10, 1956

THE AUSTRIAN STATE TREATY — CANADIAN ACCESSION

While you were away, Mr. Ronning reported that the Norwegian Government had apparently changed their minds and were no longer intending to accede to the Austrian State Treaty before settling their claims questions bilaterally with the Austrians. As you will recall, we had, on the basis of Mr. Ronning's earlier report, been discussing with the New Zealand High Commissioner's Office the possibility of Canada and New Zealand (and perhaps South Africa and Australia as well) acceding simultaneously to the Austrian State Treaty after the Norwegian accession. In accordance with your instructions, following the Austrian Minister's formal request on April 24 for Canadian accession (to balance the accessions of Poland, Czechoslovakia and Yugoslavia), we had also taken soundings in other Western capitals. Our enquiries have yielded the following results:

(a) *Belgium*—planning to accede as soon as Belgian-Austrian agreement on claims (which was reached on May 28) has been approved by both parliaments;

(b) *Netherlands*—does not wish to accede until their larger but related question of German assets in the Netherlands has been settled;

(c) *Greece*—no major obstacle to accession but does not anticipate early action until a few other countries of Western Europe have acceded;

(d) *Australia*—has not been asked to accede by the Austrian Government and would in any case probably wish to conclude a Money and Property Agreement first;

(e) *South Africa*—has not been asked to accede by the Austrian Government but might be ready to consider simultaneous accession with Canada and New Zealand.

Now that Norway has decided to negotiate on claims before acceding, it looks as if Belgium would probably be the first country of Western Europe to accede. I suggest, if you agree, that Canada should defer accession until Belgium has acceded and at least one other Western country is ready to do so. Canada might then accede either alone or at the same time as New Zealand, if they were then ready. In the meantime Mr. Cox will continue to remind the Austrian authorities of our interest in reaching a satisfactory settlement of the only major Canadian claim on which very little progress has been made, the oil interests of Mr. Van Sickle. Apart from this claim, it is the opinion of the Department, after consulting the Custodian's Office and the Department of Finance, that the claims and counter-claims which might arise between Canada and Austria are so small that they would not justify prior bilateral negotiations with the Austrians on the pattern of other countries with substantial claims problems. Do you agree?[69]

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[67] Note marginale :/Marginal note:
or three [L.B. Pearson]

[68] Note marginale :/Marginal note:
including Western European [L.B. Pearson]

J. L[ÉGER]

7e PARTIE/PART 7

FRANCE : VISITE DU PREMIER MINISTRE GUY MOLLET, 2-4 MARS 1957
FRANCE: VISIT OF PRIME MINISTER GUY MOLLET, MARCH 2-4, 1957

444. DEA/12515-40

Note

Memorandum

SECRET [Ottawa], February 26, 1957

INTRODUCTION TO THE PRIME MINISTER'S BRIEF VISIT OF PREMIER GUY MOLLET AND FOREIGN MINISTER PINEAU, OTTAWA, MARCH 2-4, 1957

The tentative agenda for the Ministerial discussions with the Premier and Foreign Minister of France this weekend reflects M. Mollet's desire to devote his time with you to a general *tour d'horizon* on most of the major international questions affecting France and Canada. Fortunately, there are at present hardly any controversial questions directly affecting Franco-Canadian relations, and we have had no indication from French official sources that their Ministers wish to raise such questions with the Canadian Government at this time, on what is essentially a mission of friendship and goodwill.

Most of the topics so far suggested for discussion have come from the French side. They are dealt with in greater (though we hope not too great) detail in the various annexes† to this brief. It is of course understood that the agenda should in no way confine the scope of the talks. It does, however, afford a framework which we have followed in the preparation of the brief. In addition, we have added some background notes† on certain topics (such as our anti-dumping duty exemption and the sale of uranium on special terms)[70] which might well come up since they are of considerable interest to the French Government, although French officials have disclaimed any knowledge of their Ministers' intentions in this regard.

During the past few years, France has been passing through a difficult but extremely interesting period of transition. When M. Mendès-France was here as Premier in November 1954, he was hopeful that he would be given the time and authority needed to set the French economy in order, modernize industry and agriculture, and curtail the traditional and often wholly irrational French protectionism, while applying to North Africa the vigorous methods of conciliation with which he had — at a price — bought peace in Indo-

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[69] Note marginale :/Marginal note:
Yes L.B. P[earson]

[70] Voir/See Document 805.

China. His positive methods and aggressive personality brought about his downfall; and since that time French Governments have tended to revert to the *immobilisme* which has kept so many post war coalitions in power because inaction ranged fewer forces against them than action.

This statement, however, cannot, in all fairness, be applied to the Mollet Government which, within a few days will have held power for longer than any French Government since the war. First and foremost, it has been a European and a Socialist Government, although (with its Radical Party component) it has not been able to be as socialist as it would have wished in North Africa, nor as European as it would have wished in its negotiations on the common market.

At the heart of French politics throughout M. Mollet's period in office has been Algeria. One of M. Mollet's first official actions was his visit to Algeria. As the conflict deepened, France's position, both internationally and internally, deteriorated. With right wing support M. Mollet sent 60% of French troops under NATO command to deal with the rebellion. At the same time his Government has elaborated a plan for the political and administrative reorganization of Algeria which is a good deal more liberal than the French settlers in Algeria and the right wing in France would like.

Even France's tragic Suez venture has its roots in Algeria. M. Mollet saw in Egypt a serious threat in terms of political and material assistance to the Algerian rebels. In Colonel Nasser he saw another Hitler whose removal would permit France to reassert herself as an African power — a position she lost very largely following the independence so generously granted to Tunisia and Morocco by the Mollet Government, on the foundations laid by M. Mendès-France.

But while the French public has had its attention focussed on outside developments, within France a very serious economic situation has been coming to a head. This too, to a large extent, can be attributed to the Algerian conflict. The expenditure of $5 million per day on the endless pursuit of Algerian terrorists, coupled with a serious spring crop failure in 1956 have done much to turn the French trade, balance of payments and budgetary position from highly satisfactory in 1955 to thoroughly alarming in 1957.

It had been thought that the present Government would stand or fail on its Algerian policy. It seems successfully to have weathered that storm — at least for the time being. However as attention drifts away from France's external problems which have had a unifying influence on the parties from which M. Mollet has drawn most of his support, there is likely to be serious criticism of the financial measures that M. Mollet and M. Ramadier will have to take to prevent either a state of external bankruptcy or serious internal inflation. It would seem therefore that it is on economic and financial policy that the Government will face its most severe test in the not too distant future.

It is as a "good European", however, that M. Mollet would like to be remembered. If, as is now confidently expected, the common market and Euratom treaties are signed in Rome about mid-March, the Mollet Government can claim a good deal of credit for the achievement. It must also bear the responsibility for having put more water in the wine of the original conception of a Western European customs union than history may judge wise for the ultimate success of that venture. But any French Government faced with the almost insuperable problem of getting such treaties ratified would have been compelled to do the same, and it is doubtful whether any other French Government could have carried the scheme so near to a successful launching as has the Government of M. Mollet.

Now that he is within sight of this objective, M. Mollet has already outlined an imaginative next step which may lead to a partnership among the common market countries for the more rapid development of their African territories, with the assistance of Germany's important investment resources. It remains to be seen, however, how the Africans themselves — and particularly the North Africans — will react to this idea. One Moroccan official, in private conversation with Mr. Robertson in London, has recently dubbed the scheme "collective colonialism". But it could be made into something more promising for the future relations of Western Europe and the emerging countries of "Black Africa", as well as of North Africa, which will have to find vast sums for their economic development if they are to become viable independent countries.

It is precisely because M. Mollet's heart is in the European idea that those on this side of the Atlantic must temper their praise for his accomplishments by some sober stocktaking of where "Europeanization" of the Mollet brand may take us. It cannot but have a profound effect on NATO, one way or the other. If it is genuinely conceived and developed as a movement *within* the framework of the Atlantic idea, it could lead to that strengthening of the Western European nucleus of NATO that we hope for. But, should it take a different course, under the impact of Middle Eastern differences and misunderstandings, it could conceivably provide the Europeans with what might seem to them a plausible alternative to NATO as the main pillar of their policy, if not of their final security in the event of a major war.

The visit of M. Mollet and of Pineau gives us an opportunity to take the measure both of these opportunities and their possible dangers. We may expect that our distinguished visitors will be most unmindful of the shadows for the future inherent in any reversion to Continentalism on either side of the Atlantic. Presumably they have not embarked on their visit to North America only to explain or excuse or justify their Middle Eastern and North African policies — to patch up the damage done by Suez. It is to be hoped that they have also the more basic aim of keeping the Atlantic idea not only alive but growing, to keep pace with the growth they have done so much to foster in the European integration.

For our part, we can see little hope for Western Europe as an independent force between the United States and the Soviet Union. There is no reason to doubt that M. Mollet remains convinced that Western Europe must of necessity continue to rely on the military power of the United States and therefore on NATO. Whatever assessment we make of Soviet intentions, and whatever degree of confidence we may place in the renunciation of major war by the Soviet leadership, it is surely axiomatic for us that Western Europe should develop and integrate as part of the Atlantic community, not only militarily but in every major field of policy. For an Atlantic basis of military security can hardly be expected to endure if every other main aspect of policy is fundamentally European. This does not mean that a Western Europe relatively more independent of the United States is undesirable. It does mean that the consequences of the drying up or withering of the Atlantic idea would probably be as damaging to M. Mollet's objectives as they would be to those of the Canadian Government. The problem is much bigger than the risk of military continentalism.

The French side have not raised the related question of European security and the future of Germany, and we have not sought to add this topic to the agenda. There may, however, be an opportunity for some exchange of views on this question, possibly in the context of the review of Soviet policy or of the work of the Disarmament Sub-Committee which is to meet in London on March 18.

445. DEA/12515-40

Note du sous-secrétaire d'État aux Affaires extérieures pour la Direction européenne

Memorandum from Under-Secretary of State for External Affairs to European Division

SECRET [Ottawa], March 4, 1957

The conversations held at the Prime Minister's residence on Saturday afternoon, March 2, were attended by Messrs. St-Laurent, Mollet, Pineau, Pearson, Joxe and Lacoste, and myself.

2. The Prime Minister opened the discussions by outlining the general problem of Canadian security. He stated that public opinion in Canada is now ready to accept responsibilities on a continuing basis to share in the common defence of the free world. He added that this had not always been the case but he was satisfied that at least under present conditions, no change should be expected in this respect. He thought that the attitude adopted by the United States in retaining world leadership and responsibilities made it easier for Canadians generally to accept similar responsibilities but naturally on a smaller scale.

3. After having thanked the Prime Minister for the understanding shown by Canada during the debate on Algeria at the United Nations,[71] Mr. Mollet pointed out that Canada had assumed a very important role during the last few years and was exercising a strong moral leadership in the world. He was concerned, however, lest such leadership was becoming more and more difficult to exercise as a result of recent developments at the United Nations.

The United Nations

4. Mr. Pineau then took over and developed this theme with very strong feelings. He was seriously disturbed by the divergencies of view on the future role of the United Nations which were developing in the United States on the one hand and France and other Western European countries on the other. He said that his own country — and he thought he was also speaking for the United Kingdom — could not much longer continue to support or abide by the double standard type of policy which was emerging from recent debates and resolutions. In his view no country should suggest, as the United States have done of late, that there should be a United Nations policy on any given issue. The role of the United Nations was not to create policies but to reconcile as much as possible national policies. The difficulty was that if present trends were continued, they would play against democratic countries generally and favour the Communist world. There was a very serious danger under such circumstances for the United Nations to become thoroughly discredited in public opinion in certain countries. Mr. Mollet added at this point that it was only because his Government was deeply attached to international cooperation generally that it had been possible for them not to withdraw from the United Nations during the recent crisis. He added that such a move would have been very popular in France. Mr. Mollet then gave it as his view that in the United Nations "le monde libre a perdu tout moyen d'action" since it could never muster a two-thirds majority for any positive course of action, whereas it was very easy for non-friendly countries to obtain the one-third number of votes to prevent any positive action from being taken. Mr. Pineau went on to say that France could not accept the principle that the United Nations could turn itself into an inter-

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[71] Voir volume 22, chapitre II, première partie, section (a), subdivision (iv).
See Volume 22, Chapter II, Part 1, Section (a), subsection (iv).

national tribunal when so many of its members were committing within their own territories the very type of actions which they were asked to judge.

5. Mr. Pearson thought that United States policy on the Middle East as developed of late in the United Nations should not be described "a policy" but rather as "an experiment". Washington had been taken by surprise as a result of the crisis in the Middle East and they followed a line "which suited them last autumn but which might not last long". Even on such related issues as the withdrawal of Israel and the clearance of the Canal, Washington had already realized that those problems had to be discussed and, if possible, solved outside the United Nations context. He agreed with Mr. Pineau that the United Nations could be discredited in the eyes of many if it made recommendations which it was not in a position to enforce. Specifically, he referred to the problem of sanctions against Israel as falling within this category.

Middle East

6. The discussion on the withdrawal of Israeli forces was rather confused because of the lack of information as to the implication of the announcement made by Mrs. Meir that the Israelis were willing to withdraw.[72] During the discussions the following points emerged:

(i) Mr. Pineau believed that there was a strong likelihood that the Government of Ben-Gurion might fall as a result of the present crisis. This would but add to the present many complicating factors.

(ii) Mr. Pineau made the further point that he believed the Israelis would never accept the return in Gaza of Egyptian civil administration. It might be possible to have some Egyptians on the United Nations team but this should be done gradually.

(iii) Mr. Pineau very much hoped that Mr. Pearson would return to New York as soon as possible and use his great influence with the Secretary-General in the hope that some formula could be found whereby the withdrawal would be followed by steps which would be acceptable to the parties directly concerned.

7. In discussing the Suez Canal, Mr. St-Laurent underlined the fact that the Egyptian Government was in a very strong position since no decision could be reached without the cooperation of Nasser. Mr. Mollet agreed that this was the "tragic aspect of the situation". He said that Western Europe had come to realize more than ever before, as a result of the present crisis, that their whole economies could be upset by the unilateral decision of one man. As a result of this experience they had all come to realize that they must find alternative facilities which would reduce Western dependence on the waterway for the transport of oil. This would have to be done by diversifying the routes as well as the type of energy to be used in future. He added that the defence of Europe was also to a considerable extent based on the use of oil coming from the Middle East and that Nasser's decision had been as damaging to European defence as it was to European economy.

8. Mr. Pineau thought that the immediate problem was to try to devise a formula for the payment of dues under the six rules agreed to by the Security Council.

9. Throughout these discussions on the Middle East Messrs. Mollet and Pineau made it quite clear that they had no confidence in Mr. Nasser and that they feared that he would continue to be in a position to prevent the normal flow of oil whenever it suited his own purposes.

NATO

10. The Prime Minister introduced this subject by asking Messrs. Mollet and Pineau for their views on the military aspects of NATO. Mr. Pearson pointed to the rather unique

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[72] Voir volume 22, document 278, note 194./See Volume 22, Document 278, footnote 194.

position in which the Canadian military contribution to NATO should be regarded, since on the one hand Canadian troops and squadrons of the R.C.A.F. were stationed in Europe, whereas on the other we were being pressed by the Americans to accept the stationing on Canadian territory of more and more U.S.A.F. personnel and equipment "to defend the North American Continent". Canadian public opinion might not always understand such a position.

11. Mr. Pineau first dealt with the problem posed by the United Kingdom's proposed troop reductions and intention to withdraw part of their forces from the Continent. He said that the reaction had been very strong, particularly in France and Western Germany. He thought that in view of the forthcoming German elections and the difficulties Chancellor Adenauer had with the problem of German rearmament, the timing of the United Kingdom decision was very bad. As far as the substance of the matter was concerned, while not opposed in principle to reductions, he thought that they should be studied within the NATO context. This applied not only to the proposed reductions but also to the change in structure which was being contemplated and which would affect the military contributions of other NATO countries. He repeated the argument already referred to in Washington telegram no. 497 of March 1† to the effect that the concept of reducing the number of troops, even though their fire power would be either maintained or increased, was dangerous since the Kremlin might indulge in frontier incidents or greater subversive activities in the knowledge that the Americans would never permit the use of atomic weapons to prevent such developments.

12. Neither Mr. Mollet nor Mr. Pineau thought that there would be a general war in Europe in the foreseeable future. Their view was that the U.S.S.R. would never attack the United States nor take a decision which indirectly might lead to a war with the United States. In this respect the European front was probably the strongest one as between the free world and the Communists. We should foresee, however, a very important political offensive which Moscow could launch in the very near future which could place the United States and all its allies in an embarrassing position.

13. Mr. Pearson emphasized that in such circumstances it would be essential for all NATO countries further to consult on this and related issues. He was afraid that "consultation" was being replaced by "information" within the NATO context and this did not make for harmonious developments in the respective foreign policies of NATO members.

14. Mr. St-Laurent concluded this part of the discussion by saying that there does not seem to be any basic difference in appreciation between the French and Canadian positions on these issues and that further discussions should be held through regular channels.

Common Market

15. Messrs. St-Laurent and Pearson raised this issue. They referred to the position adopted by the Canadian Government as expressed in the Prime Minister's statement of November 13,[73] whereby the Government strongly supported these proposals since they would strengthen the European economy, but at the same time expressed concern lest the European arrangements led to increased restrictions and discrimination in trade with other countries. Mr. St-Laurent specifically referred to the continuation of agricultural protectionism in Europe. This would create serious problems for exports of Canadian wheat and other grains to the important and traditional European markets.

16. Mr. Pineau replied that while he understood the concern expressed by the Prime Minister, he did not share it as regards export of wheat and other grains, and wished to

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[73] Voir le document 364, note 30.
See Document 364, footnote 30.

reassure him on this score. The main problem was that of the export of wheat from France to Germany. This, however, was more of a problem for France than for Canada since France could not compete with countries like Canada in the sale of wheat and her prices would always be above the world price. It was therefore in their interest not to produce more wheat than need be.

17. Mr. Mollet then referred to a decision adopted by the French Cabinet before their departure for North America whereby France would purchase some wheat from Canada in the immediate future.[74]

J. L[ÉGER]

8e PARTIE/PART 8

ALLEMAGNE : VISITE DU CHEF DU PARTI SOCIAL-DÉMOCRATE ERICH OLLENHAUER, 25-26 FÉVRIER 1957
GERMANY: VISIT OF SOCIAL DEMOCRATIC PARTY LEADER ERICH OLLENHAUER, FEBRUARY 25-26, 1957

446. DEA/10935-B-40

L'ambassadeur en République fédérale d'Allemagne
au secrétaire d'État aux Affaires extérieures

Ambassador in Federal Republic of Germany
to Secretary of State for External Affairs

CONFIDENTIAL Bonn, February 18, 1957

Dear Mr. Pearson,

In preparation for the impending descent of Mr. Ollenhauer, the German SPD leader, on Ottawa, I thought the following observations might not be out of place as Herr Ollenhauer's visit to the States and to Canada may be of some considerable importance for the future evolution of Socialist policy in Germany which in turn might have a quite decisive effect on the prospects of the North Atlantic alliance.

So far as Herr Ollenhauer's visit to Washington is concerned, there are perhaps two ways of looking at it. One is the short-term electoral aspect. This has its comic side. It is common gossip in Bonn that no sooner had Ollenhauer decided to go to the States when the Government sent von Echardt, head of the Federal Press Office and at present the Chancellor's closest personal adviser, scurrying over to Washington ostensibly to make arrangements for President Heuss' visit to the United States (and no doubt the Chancellor's own later visit) but also to counteract the effects of Ollenhauer's visit. Moreover, hardly had Ollenhauer set foot on American soil when he encountered one of his principal CDU rivals in the Bundestag, Herr Kiesinger, whose visit to the United States had been timed to coincide with Ollenhauer's and no doubt to offset it. This sort of thing is all rather undignified. The general impression caused by this migration of German politicians to the United States before the elections in order to gain reflected credit from their close association with Washington is a remarkably candid demonstration of the German desire to get on the bandwagon. Angry comments and counter-comments in the German party press about Ollenhauer's statements in the United States make a rather strident echo.

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[74] Mollet a conclu sa visite à Ottawa le 4 mars 1957 par un discours au Parlement. Voir Canada, Chambre des Communes, *Débats*, 1957, volume II, pp. 1947 à 1952.
Mollet concluded his visit to Ottawa on March 4, 1957 with an address to Parliament. See Canada, House of Commons, *Debates*, 1957, Volume II, pp. 1867-1872.

Looking at Ollenhauer's visit from a more long term point of view and in relation to the North Atlantic Treaty, I think it may serve a good purpose. Anyone in Washington who meets and talks to Ollenhauer will speedily be convinced that he is not a neutralist or crypto-Communist which some people in the States have considered him to be. This in turn will be a good thing because wholesale mistrust of the German Socialists in Washington would be a poor prospect for the future in which the Socialists may form part of the German Government or even control it. When I saw von Welck in the Foreign Office on Thursday, of last week, I expressed to him this view of Ollenhauer's visit to North America and he agreed with me. At the same time he added that Ollenhauer, in the course of convincing people in Washington and Ottawa of his sincere pro-Western views, might find himself more deeply involved in assurances regarding the basically Western orientation of Socialist policy. This in itself he felt would be desirable. I asked von Welck whether out of all the hazy and shifting statements which Ollenhauer has made about the policy which a German Socialist Government would pursue towards Germany's membership in NATO he could sort out any coherent picture of Socialist future over this question. He said that he understood Ollenhauer as having said that he would only consider Germany's departure from NATO "in the general framework of agreement with Germany's Western allies". In other words, he has bound himself to consult the NATO allies, but not to accept a NATO veto on Germany's departure from the alliance. Von Welck went on to say that as he understood the Socialist position, they would not in any event leave NATO until Soviet troops had been withdrawn from Eastern Germany and American troops from the Federal Republic; until substantial progress had been made over disarmament and until a satisfactory European security system guaranteed by the Soviet Union and the United States was set up. Von Welck said that these conditions were hardly likely to be fulfilled in the foreseeable future so that the risk of German departure from NATO looked fairly remote.

Ollenhauer for his part spoke to me the other day specifically of prior consultation with Germany's allies, "including Canada", before Germany left NATO. At the same time my efforts to interest him in the non-military aspects of NATO and the possibility of the alliance evolving along these lines, particularly if the military pressure becomes less, met with a pretty tepid response. Ollenhauer said that the NATO label symbolized for many people a military alliance. He emphasized the undesirability of this from the point of view of relations between the Western nations and those of Asia and the Middle East and said that in the long term the essential question of the future was this relationship. I told him that nowhere more than in Ottawa would he find a lively awareness of this whole problem and tried to set before him the policy which the Canadian Government has followed in relation to Asian and Middle East questions. I think you will find him very interested in this relationship.

In general, apart from narrow German domestic politics, I believe you may be struck by the similarity in Ollenhauer's thinking to that of, for example, Mr. Coldwell. Ollenhauer is a middle-of-the-road Socialist, not at all unlike his Anglo-Saxon opposite numbers. Personally he is an agreeable if not particularly impressive man of quick footwork in debate in the Bundestag, some humour, no fanaticism.

I fear, however, that Ollenhauer's very niceness and middle-of-the-road moderation make him very unlikely ever to obtain a real hold over the German people. I should fear that if he came to power his inexperience of wielding power and his relatively light-weight quality would lead to a certain unreliability in the conduct of German affairs rather than to any active disloyalty to the Western connection. I doubt if he has or ever would have the authority to be an effective Chancellor in a country where authority is still taken with deadly seriousness.

There is one other rather baffling side of Ollenhauer, and indeed of most German Socialists, and that is their incredible capacity for "double talk". Really the German Socialists have an unholy capacity for talking on the highest level and acting out of purest opportunism. With the old Chancellor and his Ministers one often comes across a pretty unattractive bedrock Germanism but with the Socialists you do have a feeling of quicksands under you.

Ollenhauer will be accompanied by Heine, his adviser from the SPD party headquarters (and a member of the party's Executive Committee), a clever and likeable little fellow who is very quick on the uptake. Mide Handler, the *New York Times* correspondent who is rather pro-Socialist in outlook was lamenting to me that they had not taken with them a few of the more picturesque, local Socialist politicians with a touch of proletarian bluntness about them and a fondness for drinking with the boys. He thought these would have made a better team to meet the press and Congressmen in Washington.

In any event, I really believe that Ollenhauer's visit to Ottawa has got positive value and that this opportunity to talk to you is very worthwhile as I think he is susceptible to influence and will find that the point of view he meets with in Ottawa is a good deal more understanding than that in Washington.

Yours ever,
C.S.A. RITCHIE

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447. DEA/10935-B-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le premier ministre

Memorandum from Under-Secretary of State for External Affairs to Prime Minister

CONFIDENTIAL [Ottawa], February 21, 1957

MR. OLLENHAUER'S VISIT TO CANADA

You may find it useful to have some information on Herr Erich Ollenhauer and his party's programme, in preparation for your conversation with him next Monday, February 25. Enclosed is a profile of Dr. Ollenhauer which appeared recently in the *New York Times*.[75]

2. As leader of the Social Democratic or Socialist Party (the second largest party in the Bundestag or German Lower House), Dr. Ollenhauer is in effect the "leader of the Opposition" in Germany. The German general elections next September may bring to power a coalition, or even a Socialist government, headed by Herr Ollenhauer. According to recent estimates, his party's popularity (approximately 40% of the voters) would now be about equal to that of Chancellor Adenauer's Christian Democratic Party. Dr. Adenauer has, however, recently been recovering some of his lost popularity, and the formation of the future German government will also depend on the type of alliance which may develop between the two large parties and some of the smaller ones, particularly the Free Demo-

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[75] Voir/See *The New York Times*, February 12, 1957, p. 15, "The German 'Attlee'".

crats (about 10% of the voters) whose position, it appears, will be determined chiefly by considerations of political opportunism.

3. The formation of a Socialist-led government in Germany may have major consequences for the future of the NATO alliance and the general political situation in Europe, in view of the foreign policy and defence programme of the Socialists. In particular, the Socialists propose that, in consultation with Germany's NATO allies, the West Germans should be prepared to trade with the USSR their membership in NATO for the reunification of Germany, and that at the same time a general European security system should replace the present Western and Eastern military pacts. In order to encourage Soviet concessions on the reunification issue, the Socialists would also apparently intend, once in power, to abolish conscription and to reduce Germany's military commitments to NATO. Obviously for electoral considerations — since reunification is likely to be the main electoral issue — several aspects of the Socialist programme are still ambiguous, particularly with respect to the methods the Socialists propose to use to achieve their foreign policy programme, and with respect to the concessions they eventually might make to the USSR, the Soviet régime in Eastern Germany and the Satellites, in order to obtain the reunification of Germany. Several aspects of their European security plan, such as the disarmament measures involved, the military guarantees and the possible neutralization of Germany, are also still obscure.

4. Although the coming to power of the Socialists in Bonn may constitute, at least in theory, a real danger for the future of the NATO alliance, there are several factors which in practice would temper the policies of a Socialist-led government in a way favourable to the West. First, there would be the pressure of the minority parties of conservative tendencies, with whom the Socialists would necessarily have to associate themselves. More important perhaps, are Germany's strong economic, political and cultural ties with the West and, above all, the intense German fear and distrust of the USSR, which could deter any Socialist government from going too far in abandoning Bonn's commitments to the West, even as part of an otherwise satisfactory reunification arrangement. In any event, the Socialists have made it quite clear that they consider the reunification question essentially as a Four-Power responsibility and that they will not themselves enter into direct negotiations with either Moscow or the East German régime, with a view to concluding a deal on this question, without the approval and participation of the West. In Washington on February 19, Mr. Ollenhauer insisted that he favoured a reunification plan on terms agreeable to Germany's Western allies. Curiously enough on the same day in Bonn, and contrary to the position consistently followed until now by the German government, the German Defence Minister suggested as a "theoretical possibility" a reunified neutral Germany on the Austrian pattern.

5. In the circumstances, although the Socialists take the electoral view that "For Germany, NATO membership and reunification are mutually exclusive", it would probably be politically unwise, as pointed out by Mr. Ritchie and Mr. Wilgress, for Germany's NATO allies to give the impression that they consider Chancellor Adenauer's Christian Democrats as the sole German supporters of NATO. Such an attitude might possibly induce the Socialists to adopt a more extreme position and might make more difficult, if they came to power, their adherence to Germany's present policies towards NATO.

6. Enclosed are copies of three recent letters† from our Ambassador in Bonn analyzing in fuller detail the German Socialist party's programme on defence, foreign policy and European security. I also attach copies of a recent departmental paper† on the problem of German reunification, of the Annual Review of Events for Germany in 1956,† and of a telegram† from our Embassy in Washington reporting on Mr. Ollenhauer's visit to the

United States, in case you would also be interested to glance through these papers. I should mention the latest developments on the problem of reunification which are not dealt with in these papers, namely the Bulganin Note of February 8th to the German government and the recent creation of a Four-Power Working Group on reunification. The Bulganin Note is simply a rehash of the previous Soviet position on reunification, emphasizing again that the prerequisite is direct negotiations between Bonn and the Soviet-sponsored government in Eastern Germany. As indicated in the attached Aide-Mémoire† left with me by the German Chargé d'Affaires on February 19, the German Government proposes to reply in the near future to the Soviet note. The German reply will serve chiefly, it appears, to convince German public opinion that contrary to current Socialist accusations the German Government does not forget the subject. The United States, United Kingdom, French and German Governments agreed a few days ago to form a special working group, whose first meeting will take place in Washington early in March, to examine the inter-related problems of the reunification of Germany and of European security, and the possibilities of achieving some progress in eventual negotiations with the USSR on these questions. The results of the working group's meetings are to be submitted to the NATO Council for consideration, and it is our hope that the four Western governments will also keep us informed through diplomatic channels.

JULES LÉGER

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448. DEA/10935-B-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en République fédérale d'Allemagne

Secretary of State for External Affairs
to Ambassador in Federal Republic of Germany

TELEGRAM S-127 Ottawa, February 26, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Our telegram S-68 of February 7† and Washington DC telegram 410 of February 20.†

Repeat Candel New York (for the Minister) (Immediate), Washington, London, Paris and NATO (Routine) (Information).

OLLENHAUER VISIT

Ollenhauer Canadian tour successfully completed this afternoon according to programme outlined in our telegram under reference. Only changes were that as Minister was in New York Ollenhauer called instead on Mr. Martin who also acted as host at government luncheon. In addition, Ollenhauer met informally this morning some forty senators and members of House at annual meeting of Canadian Branch of NATO Parliamentary Association. Ollenhauer is calling on Minister tomorrow morning in New York enroute to see President Eisenhower in Washington on Thursday.

2. As in Washington he did not seem to open up much more in private than he did in public and in all his public statements it was most apparent that the German electorate were foremost in his thoughts. The following summary covers the main points which he made in public and private while in Ottawa, although it may be incomplete since we have not yet heard what was said between Ollenhauer and the Prime Minister and Acting Minister.

3. In speaking to officials of the Department yesterday afternoon, Ollenhauer expanded on what he said at his press conference yesterday morning and in his Canadian Club speech at lunch today about European security and German reunification. Security was, he said, the primary preoccupation of the USSR. It could not contemplate a united Germany allied with the West militarily. The only road to reunification therefore lay through the creation of a European security system which would fill the vacuum created by the prerequisite of a reunified Germany belonging to neither military block. Such a regional security system under the United Nations would fix the force levels of the participating countries, include a mutual security guarantee of the Kellogg type and be underwritten by both the USA and the USSR.

4. Pending such an agreement, the SPD, whether in or out of the German government, would support Germany's NATO connection and present defence obligations. Moreover, they would not attempt to negotiate with the Soviet Union without proper consultation with the Western allies and would prefer the subsequent negotiations to be conducted by the Western allies with the Soviet Union. At any rate there was no point in the two Germanies attempting negotiations since the problem could only be solved by eventual agreement between the USSR and USA.

5. It would be premature to discuss Germany's eastern frontier until after reunification.

6. A reunified Germany fitted into a European Security System could and should still participate in non-military Western organizations including Euratom and the Common Market. The USSR would no more object to this type of association than they would to Austria's right to join the European Coal and Steel Community, should they wish to do so.

7. On UN questions, Ollenhauer said at the Canadian Club that the world owed Canada a special debt of gratitude for the stand taken in the Suez crisis. He added that he was in favour of the creation of a permanent UN Emergency Force.

8. He has obviously been greatly impressed by his recent Asian tour and the necessity for Western Europe to abandon colonialism if it is to recover its pre-Suez position among the under-developed countries.

9e PARTIE/PART 9

ITALIE : VISITE DU PRÉSIDENT GIOVANNI GRONCHI, 3-5 MARS 1956
ITALY: VISIT OF PRESIDENT GIOVANNI GRONCHI, MARCH 3-5, 1956

449. DEA/9676-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], December 30, 1955

VISIT TO CANADA OF THE PRESIDENT OF ITALY,
SIGNOR GIOVANNI GRONCHI

I am attaching for your signature, if you approve, a memorandum for the Prime Minister recommending that the President of Italy be invited to visit Canada immediately before or after his visit to Washington, February 28, 29 and March 1. In view of the increasing burden of these visits and of the importance of extending this particular invitation, I have gone to some length to set out the reasons for your recommendation.

2. Our Ambassador in Rome has reported that two Italian newspapers have already published despatches from their Washington correspondents stating that President Gronchi will visit Canada as well as the United States. In the absence of any indication of our intentions these newspaper reports are causing our Ambassador some embarrassment. We refrained from raising this question at an earlier date because our invitation could not anticipate one from the United States, because the United States had not decided on a date for the visit there and because it did not seem desirable for a Canadian invitation to appear as an automatic echo of United States initiative. We are preparing a telegram† instructing our Ambassador in Rome to approach President Gronchi's Chief of Protocol in order to find out whether an invitation would be welcomed. This telegram will be forwarded for your consideration if you and the Prime Minister approve this proposal.[76]

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Projet d'une note du secrétaire d'État aux Affaires extérieures pour le premier ministre[77]

Draft Memorandum from Secretary of State for External Affairs to Prime Minister[77]

CONFIDENTIAL [Ottawa], January 3, 1956

VISIT TO CANADA OF THE PRESIDENT OF ITALY,
SIGNOR GIOVANNI GRONCHI

It has been announced that the President of Italy will pay a state visit to Washington on February 28, 29 and March 1, 1956. Our Ambassador in Rome has suggested that there would be political advantages to be gained by extending an invitation to Signor Gronchi to visit Canada. He has pointed out that President Gronchi has frequently been reported as leaning to the left and the Soviet Union is said to have made discreet soundings in Rome to find out whether Signor Gronchi would accept an invitation to visit Moscow. Our Ambassador has suggested that it would be wise if, before going to Russia, the President were to visit a few NATO capitals.

2. Although I recognize the desirability of curtailing the number of official visits to Ottawa, particularly during the very busy winter season, there are a number of compelling reasons for extending an invitation to President Gronchi:

(a) A visit to Canada as well as to the United States by the President of Italy would be in line with our efforts to achieve closer political consultation among NATO countries. Moreover, the Italian Government has been insisting on a voice in Western consultations concerning such problems as negotiations with the Soviet Union, disarmament and the Middle Eastern situation. A visit to Canada by President Gronchi would probably be interpreted in Italy as recognition here of the importance of Italy in Western planning and of close international political co-ordination with a NATO ally.

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[76] Note marginale :/Marginal note:
The PM has agreed to the visit L.B. P[earson]

[77] Note marginale :/Marginal note:
Not sent. Mr. Pearson spoke to P[rime] M[inister] [auteur inconnu/author unknown] Jan 6/56

(b) Italy is exposed to strong external and internal pressures to adopt a more neutral foreign policy. Externally, Italy has many close neighbours who follow a policy of neutrality and some of whom proclaim that their neutrality is the key to an East-West détente and international peace. Internally, the powerful Italian Communist Party is striving to persuade the electorate that a more neutral foreign policy would be advantageous. The President's visit to the United States and Canada would provide the Italian Government with further evidence of close collaboration with Italy's NATO allies which could be used to counteract these neutralist forces.

(c) General elections will be held in Italy during 1956 and the precarious political position of the present center coalition Government under Prime Minister Segni would be bolstered by evidence that its foreign policies have enhanced Italy's prestige and given her recognition as a first-rate international power. Recently the Italian Communists and their left-wing Socialist allies have been taking full advantage of the more fluid international situation to win domestic support. They have been voting with the Government on many issues in an attempt to acquire an appearance of respectability and to persuade left-of-centre Christian Democrats to rely on their support rather than that of the right-of-centre members of the coalition Government. President Gronchi's visit may be one of the very few opportunities to influence the Italian political situation without appearing to intervene in that country's internal affairs.

(d) Signor Gronchi has considerable political influence in Italy and he is known to favour an "opening to the left" in order to attract the left wing "Nenni" Socialists into a Government coalition. Undoubtedly considerable pressure will be exerted in the United States to persuade him that there would be dangerous international repercussions to any domestic policies that might alienate Italy's Western allies, particularly if this involved any weakening of Italian support for NATO. A visit to Canada following the visit to Washington might take the edge off this pressure while at the same time reinforcing the underlying argument.

(e) If President Gronchi were to visit the United States and not be invited to Canada there would be speculation concerning the reasons for our reticence. Speculation of this kind might have an undesirable affect on our relations with both Italy and the United States. On the other hand, President Gronchi would probably be welcomed in Canada with the same enthusiasm that was shown when the former Prime Minister of Italy, Signor Mario Scelba, visited Canada in March, 1955.

3. For all of these reasons I would strongly recommend that the President of Italy be invited to visit Canada either before or after his visit to the United States depending on the most convenient date. So far as I know, there are no other events which would conflict with a state visit on the proposed dates. If you agree, I will instruct our Ambassador in Rome to find out whether a visit would be feasible.

L.B. P[EARSON]

450. DEA/9676-40

Note du secrétaire d'État aux Affaires extérieures
pour le premier ministre

Memorandum from Secretary of State for External Affairs
to Prime Minister

SECRET [Ottawa], March 2, 1956

VISIT OF THE PRESIDENT OF ITALY

Our Ambassador in Rome has emphasized the importance of giving President Gronchi a warm welcome in the hope that this might help to offset some of the unfortunate effects of the suspicion which has been expressed in the United States concerning Signor Gronchi's leftist leanings on domestic and foreign affairs. In fact, President Gronchi is staunchly anti-Communist, but some of his statements on foreign policy reflect his inexperience in this field and they have been exploited by the political forces of the extreme left. Our Ambassador suggested that we might remind President Gronchi of some of the hard facts of international life.

President Gronchi occasionally takes it upon himself to speak out on behalf of the Italian people, although he has not overstepped the constitutional limitations of his office which do not vest in the President any final authority. Our Ambassador in Rome has suggested that President Gronchi's views should not be given the same weight as those of an elected head of government. Though his visit will be brief and most of his talks with us will be formal and official, I hope President Gronchi will feel free to raise with us any subjects he wishes, for he is said to be a stimulating person.

President Gronchi has not proposed any specific subjects for discussion here and has said that he will be satisfied with a *tour d'horizon*. The Italian Foreign Ministry has informed the United States State Department that during his conversations with President Eisenhower, Signor Gronchi wishes to discuss Article 2 of the North Atlantic Treaty, European integration and Italy's need for economic assistance. These subjects were covered in the background papers† which were forwarded to you during the past week, but I am attaching some notes and suggestions which may be useful for quick reference on possible topics of conversation.

I am also attaching a copy of Telegram No. 34, February 24† from our Ambassador in Rome concerning distress in Italy caused by the severe weather. You will notice that our Ambassador did not recommend any specific action and says that although there is hardship, the situation cannot be considered a major catastrophe.

L.B. P[EARSON]

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

SECRET

VISIT OF PRESIDENT OF ITALY, MARCH 3-5 POSSIBLE SUBJECTS FOR DISCUSSION

The following brief notes and suggestions supplementing the background papers for this visit may be useful for purposes of immediate reference during the conversations with President Gronchi and the Italian Foreign Minister, Signor Martino:

Article 2 of the North Atlantic Treaty

The Italian attitude toward the "implementation" of Article 2 was outlined by Signor Martino at the North Atlantic Council Ministerial Meeting in December, 1955. He suggested a bold reconsideration of NATO cooperation on economic, social and cultural matters and the development of a common political and economic strategy to combat Soviet penetration in Asia, the Middle East and Africa. Signor Martino said in part:

".... Je crois qu'il est indispensable de pouvoir répondre au dogme communiste de l'inéluctabilité de l'effondrement du régime économique du monde prétendu capitaliste par la preuve concrète inverse du développement de nos économies à travers la coopération réciproque."

"Afin que ce développement se produise, il faut agir en deux directions:

(1) Compte tenu que le continent européen représente le point faible à cet égard, il faut que les pays les plus intéressés travaillent pour arriver le plus tôt possible à un accord sur un marché commun européen, en tant qu'étape dans le chemin de l'unification politique de l'Europe, et je me réfère ici à ce que j'ai dit sur la nécessité, du point de vue politique, de reprendre le mouvement d'unification européen.

(2) Il faut entreprendre, par tous les moyens à notre disposition, une action collective pour le développement des zones économiquement faibles qui se trouvent au sein de l'Alliance...."

Signor Martino also advocated the coordination of technical, financial and manpower resources of NATO countries in order to assist underdeveloped and uncommitted countries in other parts of the world.

At the same meeting, the Secretary of State for External Affairs of Canada expressed satisfaction with the progress in political consultation that had been achieved in NATO, and he suggested still closer consultation. He urged that this should be augmented by consultation "when appropriate" on the international economic situation "in order to develop a better understanding of each others policies and to avoid conflict between these policies in the interests of the broader international community." Commenting on the specific suggestions of the Italian Foreign Minister, he said in part:

"... We do fully appreciate ... the cogent arguments for promoting political stability and unity in Europe, and we welcome any genuine move to this end. On the other hand, it is also our view that this desirable end would not be attained, I'm sure no-one has this in mind, or the interests of the European countries themselves, be advanced, through the development of any discriminatory trading group. This is a danger which we are, I am sure, all fully aware of and it can be avoided. With regard to the second view relating to collective action for the development of certain economically weak regions within the Alliance, it's difficult at this moment to comment on our Italian colleagues' proposal before we have had a chance to study it, but it is something which should be studied...."

On the question of assistance to underdeveloped countries, Canada has favoured a somewhat slower but broader approach than that advocated by Italy. This policy is similar to the recommendation which the United Kingdom made to the North Atlantic Council proposing a thorough examination of the current activities of NATO countries as a prelude to action in this field.[78]

European Integration

The following is a very tentative and unconfirmed summary of the views expressed on this subject during a recent interdepartmental meeting at the official level:

(a) EURATOM—It was agreed that effective cooperation among European countries in the development of atomic energy could only be beneficial. However, support for EURATOM should depend on its readiness to cooperate in strengthening the economic base of Western Europe and contributing to the unity and well-being of the whole.

(b) The European Common Market—This project would be more difficult of attainment than EURATOM. A limited reduction of tariffs and restrictions between the six countries concerned — Italy, France, West Germany, Belgium, The Netherlands and Luxembourg — might only distract attention from the need for a major forward movement, while the possibility of a fairly effective insulated trading bloc being created might tend to reverse the trend toward a freer world-wide multilateral trading system. On the other hand, the common market has a very considerable significance in the political field as a rallying point for Western Europeans. Moreover, the project might be the last chance of binding Germany firmly to the West and of giving Europe a fresh start toward economic health and balance. It was the general consensus of the meeting that Canada should not oppose European integration along the lines outlined at the last conference of the six powers concerned at Messina, Italy.

The Italian Government places very few reservations on its support for initiatives toward European integration, because Italy stands to gain a great deal and has very little to lose in any pooling of resources, production, manpower, living standards, etc. However it would be interesting to find out how Italy envisages the reconciliation of European integration with the future of the Organization for European Economic Cooperation and the objectives of the General Agreement on Tariffs and Trade.

Immigration

President Gronchi or Signor Martino may urge increased immigration to Canada as a means of assisting in the application of Italy's ten-year plan (Vanoni Plan) for economic reconstruction. Sincere appreciation of Italy's efforts to obtain economic stability might be expressed, but the Canadian immigration authorities are not willing to commit the Government to accept a substantially larger number of Italian immigrants. The difficulties encountered by immigrants from Italy, and particularly those from the south of Italy, in adapting themselves to the rigorous climate, large-scale mechanized agriculture and other conditions might be described to the visitors. Changes in the immigration regulations whereby Canadian visa officials have been given more discretion and in the Assisted Passage Loan

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[78] Voir aussi volume 21, le document 239.
See also Volume 21, Document 239.

Scheme which now enables families to travel as a unit or be reunited quickly in Canada, may be some satisfaction to the Italian Government.

Economic and Commercial Relations

(a) Trade—If the problem of Italy's adverse balance of trade with Canada should be raised the Italian visitors could be informed that we would like to see it improve its position in the Canadian market. However, there is little that the Canadian Government can do and much depends on the ability of Italian firms to promote their products vigorously and sell them at competitive prices. Appreciation might be expressed for the Italian allocation of foreign exchange for purchases from Canada of salt codfish and canned salmon. They could be informed that the stability which Italy has been able to maintain in its balance of payments is encouraging and that we hope Italy will soon be able to make further dollar liberalization moves which we are confident would be of benefit to Italy as well as Canada.

(b) Other questions—If possible, it is desirable to avoid discussing the unsuccessful civil aviation negotiations with Italy and the problem of German assets in Italy. On the latter question, it appears likely that a compromise formula proposed by the United Kingdom will be accepted, but the Italian Government has not yet been informed of this proposal.

Cultural Relations

The Italian Government attaches considerable importance to cultural relations, and in view of the fact that the Cultural Agreement between Canada and Italy which was concluded in 1954 has not come into force yet, questions may be asked about our delay in fulfilling a treaty obligation. The visitors might be informed that operation of the cultural agreement will be one of the functions of the proposed Canadian Council and that although the Government has announced that it intends to recommend to Parliament the establishment of the Canadian Council, certain difficulties have been encountered, and it has not been possible to present the necessary legislation yet.

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451. DEA/9676-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Italie

Secretary of State for External Affairs
to Ambassador in Italy

DESPATCH NO. S-151 Ottawa, March 8, 1956

CONFIDENTIAL

VISIT OF THE PRESIDENT OF ITALY — MARCH 3-5

I am attaching two memoranda outlining the conversations on March 5 between President Gronchi and the Prime Minister and between Signor Martino and Mr. Pearson. Appended to the latter memorandum are some general conclusions concerning the conversations and their significance. You will notice that when he addressed Parliament President Gronchi omitted a paragraph which appeared in the text of his speech that was distributed to the press before delivery. The deleted paragraph was included in the original text immediately before the paragraph of the attached Hansard translation of President Gronchi's speech which commences: "But it is evidently in the general interest of Western solidarity that preventive consultations...."[79] Also attached are extracts from United Press reports† of statements made by Messrs Martino and Pearson following the conversations.

The visit of the President of Italy who, as you know, was accompanied by Mrs. Gronchi and by the Italian Foreign Minister, Signor Gaetano Martino and Mrs. Martino was successful from every point of view. The Presidential party arrived on March 3 and was welcomed with full ceremonial honours by His Excellency the Governor General, the Prime Minister and Mrs. St. Laurent, members of the Cabinet and of the Diplomatic Corps. Following a luncheon at Government House, President Gronchi laid a wreath at the National War Memorial. The President and members of his party attended an afternoon reception given by the Speakers of the Senate and of the House of Commons and an evening reception at Government House.

On March 4, the visitors attended mass at St. Anthony's Church where they met members of the local Italian community. Following a luncheon at the Italian Embassy the President received delegations from the Italian communities of Montreal and Toronto. He was host at dinner to the Governor General and held a reception at the Country Club in the evening.

On March 5, President Gronchi and Signor Martino held conversations with the Prime Minister and the Minister. Following the luncheon given by the Prime Minister and Mrs. St. Laurent, President Gronchi addressed the Members of the Senate and of the House of Commons. The Presidential party then left Ottawa by train for Detroit.

R.A.D. FORD
for Secretary of State
for External Affairs

[PIÈCE JOINTE 1/ENCLOSURE 1]

Note

Memorandum

CONFIDENTIAL Ottawa, March 6, 1956

VISIT OF THE PRESIDENT OF ITALY
SUMMARY OF PRESIDENT GRONCHI'S CONVERSATIONS WITH
THE PRIME MINISTER, MARCH 5, 1956

The talk between President Gronchi and the Prime Minister took place in Mr. St. Laurent's office in the House of Commons at 11:30 Monday, March 5. Also present were Dr. Martino and Mr. Pearson, Signor Fenoaltea, Signor Luciolli, Mr. Léger and Mr. Ignatieff.

2. The talk which was informal touched upon the following subjects:

NATO,
European Integration,
World Trouble spots.

NATO

3. Signor Gronchi, referring to the speech which he was going to make to the Members of the Senate and Members of the House of Commons later in the day, said that he

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[79] Voir Canada, Chambres des Communes, *Débats*, 1956 volume II, pp. 1886 à 1890.
See Canada, House of Commons, *Debates*, 1956 Volume II, pp. 1829-1833.

intended laying emphasis on the need for NATO to be better able to meet the challenge of current Soviet tactics, through better consultation and increased solidarity between the members of the organization. In particular, he would like to say that the Big Three should consult other members of the organization concerned before negotiating with the Soviet Union on matters which were of direct concern to them. He also believed that the NATO Council should hold more frequent consultations both on political and economic matters. The Prime Minister in reply said that generally speaking such views were in accord with the attitude which the Government had taken on the question of consultation between members of NATO and on Article 2 of the North Atlantic Treaty.

4. Signor Gronchi said that Italy intended to play its full role also in the NATO defence effort. He pointed out that Italy planned to maintain the same rate of military expenditure next year as they had this year. He was seriously concerned, however, that this rate of expenditure would prove insufficient to equip Italian troops with the expensive weapons required for modern war. He thought that the point may have been reached when it was unreal for NATO to insist on a contribution of 15 divisions to be fielded by Italy if they were so ill-equipped that they were unable to make an appropriate contribution under modern warfare conditions. He thought that the whole situation should be reviewed by NATO. In his opinion, it seemed that only very wealthy countries like the U.S. and the U.S.S.R. could afford the weapons of modern war. Even the U.S.S.R. might be anxious to reduce the economic burden of armaments. The Prime Minister recalled that the Soviet Government had means of compulsion open to it to maintain its military effort which is not open to democratic countries.

5. Mr. Pearson recalled that just a few days ago NATO concluded a series of multilateral discussions on defence planning which had considered the kind of problems which Signor Gronchi had alluded to. What puzzled him, however, was that it was found possible to devote so much time to a thoroughgoing examination of military problems and yet when Ministers assemble for purposes of political consultation only one or two meetings seemed to be spared for this purpose. Mr. Pearson said that in the present phase of international affairs, non-military types of defence must be considered as important, or even in some respects, more important than the military. He hoped, therefore, that the next NATO Ministerial meeting would be devoted wholly, or at least mostly, to the non-military activities of NATO. Mr. Pearson said that Dr. Martino and he had talked about this earlier in the morning and had emphasized this point when speaking to the press.

European Integration

6. Dr. Martino, explaining the Italian attitude to the question of European integration, said that Italy particularly attached importance to the plan to establish a common market between the six members of the Coal and Steel Community. This was regarded, however, not as an end in itself, but as a means to attaining the objective of political integration in Europe. Present suspicions and antipathies, particularly between France and Germany, could not be overcome in the political sphere he thought; it was therefore hoped that by establishing a common market with a common monetary system, the way would be open automatically to the attainment of political integration between the six countries. Mr. Pearson, in explaining the Canadian approach to the problem of European integration, noted that sometimes the United Kingdom attributed its reluctance to support this movement on the grounds that the aims of European integration were not acceptable to the Commonwealth. As far as Canada was concerned, both public opinion and the Canadian Government were strongly in support of political integration in Europe especially as a means of finding a solution for traditional Franco-German conflicts. Possible develop-

ments on the economic side, however, cause some misgivings in Canada because it was thought that the common market may provide justification for raising tariff protection by the governments participating in this movement against trade with the rest of the outside world. The Canadian Government, therefore, would hesitate to approve any policy which would tend to set Europe against the rest of the world in the matter of trade through the creation of an autarchic system. Dr. Martino said that the Italians were not aiming at an autarchy or continental economic bloc.

Trouble Spots

7. Mr. Pearson said that the two most dangerous trouble spots in the world were in the Middle East where Arab and Israeli forces were deployed against one another, and in the off-shore islands off the coast of China, where opposing Chinese forces were deployed. In the Middle East Canada is making a contribution through General Burns who is trying to keep the two opposing forces from fighting one another; in the Far East Canada is making its contribution in trying to maintain the armistice in Indochina, where 170 Canadians were on duty.

8. At the conclusion of the talk, Signor Gronchi asked whether the Prime Minister might wish to have a formal press communiqué issued. The Prime Minister thought this was unnecessary. In answer to questions, it could be said that the two of them had discussed international problems of common interest, had exchanged impressions and had found agreement on the objectives being pursued by the two governments, and the desirability of coordination of methods to reach these objectives.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Note

Memorandum

CONFIDENTIAL Ottawa, March 6, 1956

VISIT OF THE PRESIDENT OF ITALY
SUMMARY OF THE CONVERSATIONS BETWEEN SIGNOR MARTINO, FOREIGN MINISTER OF ITALY AND MR. PEARSON, MARCH 5, 1956 TOGETHER WITH SOME GENERAL CONCLUSIONS CONCERNING THE CONVERSATIONS

Middle East

Mr. Pearson expressed grave concern over the situation developing in the Middle East. He thought that it was one of the most explosive situations in the world today. Mr. Martino shared this concern.

Mr. Pearson suggested that Italy might help bring the parties closer together. Mr. Martino said that they had tried, particularly during discussions he had with Mr. Sharrett a few weeks ago, but had found him in an uncompromising mood, particularly as regards territorial concessions. Mr. Pearson said that the only possible solution was for the Arabs and Israelis to come to an agreement based on the recognition of the State of Israel by the Arabs and by the acceptance by Israel that certain boundary adjustments were necessary as well as some settlement of the refugee problem. It was difficult to say when that would happen since the extremists in either country were totally unwilling to compromise.

China

Mr. Martino referred to statements made by Mr. Pearson lately on this subject and asked him if he would care to amplify.[80] Mr. Pearson said that the situation was serious because of the United States' support of the Chinese Nationalist position on the off-shore islands. In the event of an attack on the islands, their policy could only lead either to open hostilities on the mainland if the United States decided to support the Nationalists or to a complete loss of face by Washington if they did not come to the assistance of their allies. Further, this placed the West in a most unfavourable light in the eyes of countries such as India.

Mr. Martino pointed out that the recognition of Communist China by Italy would create serious internal problems. He was not, however, so much concerned about recognition as he was about the admission of Peking at the United Nations.

Both Ministers agreed that there was little that could be done before the United States elections and immediately thereafter although this could not very well be publicly stated.

Mr. Pearson thought that like-minded countries such as Belgium, Australia, Italy and Canada should keep in touch with one another on this so as to concert their action. Mr. Martino said that he would welcome this and hoped that Mr. Pearson would keep him informed of his views.

NATO

Mr. Martino said that the new phase in which NATO had entered emphasized the importance of developing the non-military aspects of the Treaty. He agreed with Mr. Pearson that it was difficult to suggest a definite course of action leading towards implementation of Article II but thought that in view of the present world situation something should be done in the very near future. Mr. Pearson then made the following suggestions which might be followed up:

(a) that the agenda of the next NATO Ministerial Meeting consist mainly if not solely of discussions on the non-military defence problems and that at least interim reports on the various studies in the Article II field initiated at the last Ministerial Meeting should be ready in time for the May meeting;

(b) that political and economic consultation should become a permanent feature of the discussions among permanent delegates; and

(c) that the Messina group powers keep their Atlantic partners informed of the progress made among themselves leading towards European integration.

In the long run a more imaginative approach would have to be taken in the field of economic assistance to under-developed countries. This could be done more usefully through the U.N. than through NATO. The Colombo Plan was an example of what could be done in this field without creating any ill feeling among the recipient countries. Mr. Martino referred to technical assistance through the U.N.; Mr Pearson agreed that this should be further expanded although he did not believe that the West should be thinking of "hundreds of millions more for Dr. Keenleyside". The U.N. might, however, undertake to give more publicity to assistance given to under-developed countries either bilaterally, through the Colombo Plan and other similar agencies, as well as under technical assistance programmes. This would form a very impressive list when compared with what the Communists were doing in the same field. He added that now that Italy was in the U.N. she would naturally become more interested in these developments.

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[80] Le 31 janvier 1956, Pearson a fait le point de la politique du Canada envers la Chine dans une déclaration au Parlement. Voir Canada. Chambres des Communes. *Débats*, 1956, volume I, pp. 743 à 744. Pearson reviewed Canadian policy toward China in a January 31, 1956 statement to Parliament. See Canada, House of Commons. *Debates*, 1956, Volume I, pp. 710-711.

Some General Conclusions

Our general impression of the visit is that the President of Italy and his Foreign Minister were satisfied that the Canadian Government was generally sympathetic to the Italian views on such subjects as the common market, European integration, East-West contacts and the future of NATO in non-military fields. There was a common desire to coordinate the activities of the alliance in this new phase of the cold war and both countries wished to put the NATO machinery to better use for this purpose by fuller exchange of information on economic and political as well as military matters.

Throughout the discussions, the President emphasized the importance which his country attached to NATO and the willingness of his Government to continue to cooperate in all fields although the military expenditures proved a serious drain on Italian resources. There was no contradiction in his mind between support for NATO and the policy of European integration which his Government was pursuing.

A certain restlessness could, however, be detected in Signor Gronchi's remarks on the inertia of NATO in non-military fields. He also gave the impression that he hoped to use the NATO forum to force the Western Big Three more fully to take Italy into their confidence in discussing European questions. This was quite apparent in a paragraph of his address to Parliament which he decided to strike out at the last minute but which was already in the text given to the press and which read as follows:

> "Allow me to add that another obstacle to a more coherent and efficient functioning of the Atlantic Community and therefore to the success of Western policy is to be found in that mental attitude which even now appears to be persistent in some of our major friendly and allied nations: according to this mental attitude the most appropriate forum in which to examine major problems — whether they be European or world problems — should be that kind of directory of three powers which have up to now assumed the responsibility of discussions with the Soviet Union. It is certainly true that last year a new method of consultation was inaugurated between the members of the Western Community; and it is also true that the existence of various degrees of responsibility must objectively be admitted."

This restlessness, however, does not seem to be accompanied by positive recommendations except possibly in the field of European integration. NATO is seen as an all-embracing institution while the Italians do not seem to have given much thought to the role their country could play at the United Nations.

All told, we had the impression that Signor Gronchi and his Foreign Minister were good Europeans, sincere in their desire to cooperate with their NATO partners and believing that the centre of gravitation of the world was still the Mediterranean with all its past grandeur which they hoped we would share.

CHAPITRE III/CHAPTER III

EUROPE DE L'EST ET L'UNION SOVIÉTIQUE
EASTERN EUROPE AND THE SOVIET UNION

PREMIÈRE PARTIE/PART 1

RÉVOLUTION HONGROISE
HUNGARIAN REVOLUTION

452. DEA/8619-40

Le secrétaire d'État aux Affaires extérieures au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs to High Commissioner in United Kingdom

TELEGRAM SS-220 Ottawa, October 26, 1956

CONFIDENTIAL. IMMEDIATE.

Repeat Paris, Washington, New Delhi, Canberra, Belgrade, Pretoria, Wellington. (Immediate).
Repeat New York (Information).

HUNGARIAN SITUATION AND THE U.N.

1. As State Department has unfortunately already announced, USA has consulted us and others about feasibility of taking Hungarian situation to United Nations. USA Minister asked us this morning for our reactions to two possible courses of action which might be taken collectively by as many of the signatories of the Hungarian peace treaty as wish to do so:

(a) A letter might be sent to Security Council to invite attention to situation created in Hungary by employment of Soviet forces against Hungarian people to repress demands to enjoy human rights and freedom affirmed in Charter and guaranteed by peace treaty; letter would urge Council members to keep situation under review to determine whether it is liable to endanger peace and security, and if so what constructive steps Council might take;

(b) Alternatively Security Council resolution could be submitted provided for establishment of committee to determine facts and report results of findings to the Council.

2. We are interested in this idea especially if India and Yugoslavia take an active part and would see some advantages in inviting USSR to join in sponsoring this or amended proposal although they would probably reject it. If they did by any chance accept, it might provide only foreseeable context in which Hungarian leaders could talk officially to the West.

3. In any case we would hope U.N. action might facilitate an end to the fighting on terms which would be better than mere repression of anti-Soviet rioters. Rebels are reported this morning to have appealed to U.K. (and perhaps others) to take Security Council action. In circumstances a letter to Security Council is probably all Western group of peace treaty signatories can do. However, if USSR would participate fact finding committee might have more than propaganda value.

4. Grateful for your comments and (except for Washington) those of your Foreign Office on USA suggestion.

5. (Belgrade only) Your USA colleague has authority to approach Yugoslav government at his discretion but may have decided not repeat not to do so.

[L.B.] PEARSON

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453. DEA/8619-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM SS-222 Ottawa, October 29, 1956

CONFIDENTIAL. IMMEDIATE.

Repeat Paris, Washington, New Delhi, Canberra, Belgrade, Pretoria, Wellington. (Immediate).

HUNGARIAN SITUATION AND THE U.N.

Following is the text of the letter[1] addressed today by our Permanent Representative in New York to the Secretary General of the UN. Text begins. In accordance with instructions from my government, I have the honour to inform you that the Government of Canada fully approves of the initiative taken by the Governments of France, the UK and the US in requesting on October 27/56 that the Security Council should concern itself urgently with the situation in Hungary arising out of foreign armed intervention. In this connection I should like to draw your attention to a statement made on October 27 by the Honourable L.B. Pearson, Secretary of State for External Affairs, a copy of which is annexed. Text ends.

2. Following is the relevant portion of the Minister's speech on Saturday communicated by Dr. MacKay to the Secretary General. Text begins. The view of the Canadian Government is that the United Nations should immediately be seized of the Hungarian situation in order to prevent further bloodshed and to enable Hungary freely to choose its own course as a new member of the United Nations.

3. It will be the duty and the responsibility of the Soviet Union as well as any other member of the United Nations to work towards such a solution.

4. The forces of world opinion must be mobilized in favour of the forces of national freedom in these countries and against foreign armed intervention and foreign domination. The United Nations is where this should be and can be done. Text ends.

5. Please inform the Government to which you are accredited.

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[1] Cette lettre a été demandée par des « junior officers » de la mission des États-Unis auprès des Nations Unies le 28 octobre. Mackay a discuté de l'approche des États-Unis avec Léger au téléphone. New York à Ottawa, télégramme 1037, 29 octobre 1956, MAE 8619-40.

This letter was solicited by "junior officers" of the United States U.N. mission on October 28. MacKay discussed the American approach by telephone with Léger. New York to Ottawa, Tel 1037, October 29, 1956, DEA 8619-40.

454. DEA/8619-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 1484 London, October 30, 1956

SECRET. IMMEDIATE.

Repeat Washington, Permis New York, Paris, NATO Paris (Information).
By Bag Warsaw, Belgrade, Prague, Moscow.

SITUATION IN HUNGARY

We had a discussion this morning with Brimelow, Head of the Foreign Office Northern Department, about recent developments in Hungary. Brimelow is more than ever impressed with the contrast between Nagy and Gomulka. Reports from the UK Legation in Budapest, which the Foreign Office fully accept, suggest that Nagy's own position has become increasingly, and is now perhaps almost exclusively, dependent on the support of Russian armed forces. Brimelow suggested that if these forces were really withdrawn Nagy and his government might well be lynched. He expects that the Russians will continue to try to shore Nagy up, mainly by armed force, but thinks the Russians probably under-estimate the political difficulties of this.

2. According to UK reports the overwhelming majority of Hungarians have rejected not merely Russian domination but also communism itself. The UK Legation in Budapest seems to have little, if any, confidence in Nagy's honesty, and reports that his government have repeatedly tried to trick the nationalists into surrendering by false reports of surrenders and of the conclusion of truce agreements.

3. The picture of last week's events is now somewhat clarified. Apparently it was the Hungarian security police which started shooting at the beginning and thereby turned the demonstrations into a popular uprising. By now, according to the British Legation, virtually all Hungarians excepting top communists and the security police, but including some of the latter, are bitterly anti-Russian and pro-nationalist.

4. Nagy's efforts to broaden his government have been largely unsuccessful. The UK Legation are skeptical about the extent to which Bela Kovacs is in fact voluntarily participating in the new government. Apparently Nagy did carry out negotiations with "genuine social democrats" for a real coalition government but these broke down because the social democrats stood firm on the conditions of free elections and the withdrawal of Russian troops.

5. The Nagy Government is, however, going to great lengths in its efforts to get some nationalist support. Thus the Prime Minister is reported to have stated in a broadcast that "a great national movement has taken shape of which the government approves". Moreover in an article entitled "A Reply to Pravda", the Hungarian Communist Party Organ *Szabad Nep*, specifically says that "What happened was not anti-democratic, was not an adventure and did not collapse" and states that "The tragic yet uplifting struggle has not been the outcome of some undermining activity but alas had been brought about by our own errors and crimes, primarily by our failing to protect the sacred flame inherited from

our ancestors — that is our national independence". This paper puts the blame explicitly on "the criminal clique of Gero".

6. The British Legation reported that Mikoyan arrived in Budapest on Saturday.

7. Both the USA and the UK representatives in Hungary took the early initiative of urging that their governments take action in the UN. The British representative, though he apparently started with a rather more cautious view than his American colleague, has during the past few days come to attach very great importance to action or statements which would encourage the Hungarian nationalists, who seem to have surprised everyone by showing some prospect of winning out in the end.

8. When we saw Brimelow this morning no decision had been taken about the instructions to be sent to Sir Pierson Dixon at the UN, where the Hungarian situation is expected to be discussed tomorrow, Wednesday October 31. As you will appreciate there was some confusion and uncertainly in view of the overnight developments in the Middle East. In New York Lodge had apparently suggested introducing a draft substantive resolution on Hungary asking that Russian troops be withdrawn, but it was recognised that this would almost certainly invoke a Soviet veto, and might also conceivably create an awkward precedent for other areas. Its legal basis might also be complicated in view of the Warsaw Treaty. The Foreign Office officials were inclined to approve an alternative suggestion of Pierson Dixon's that a good first stage in the Security Council might be to introduce a procedural resolution taking note of Nagy's public promise to ask the Russians to withdraw their troops from all of Hungary, and deciding to leave the question on the agenda to see how these negotiations come out. This, it is thought, might give an opportunity for non-Communist representatives to make helpful statements on the record while avoiding a Soviet veto and yet taking some formal action to pin Nagy down and to encourage the liberalization processes in Hungary. In any case, however, in view of the importance of speed and of agreement of the USA and France the widest discretion will almost certainly be left to the missions in New York.

[N.A.] ROBERTSON

455. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], October 31, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of National Health and Welfare (Mr. Martin),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin).

HUNGARY; SERVICE OF CANADIANS IN HUNGARIAN FORCES; FOREIGN ENLISTMENT ACT

1. *The Secretary of State for External Affairs* said there had been a number of requests from persons of Hungarian extraction for information on the possibility of going to Hungary to fight against the Russians. Under the Foreign Enlistment Act, passed in 1937, it was an offence for a Canadian to enlist in the forces of a foreign state at war with a friendly nation. It was not an offence to take part in a civil conflict in another country unless an order in council were passed under that statute, specifically prohibiting it. The minister had said no such order had been passed in regard to this Hungarian war nor was one contemplated. Legally, therefore, Canadians could go to Hungary to join the Hungarian liberation forces. Of course, persons with Hungarian citizenship might have difficulty returning to Canada, and even people of Hungarian origin with Canadian citizenship might also find it difficult to travel without a passport.

The number of requests would probably slacken off as the Russians withdrew from Hungary. Meanwhile, it was proposed to explain the legal situation and to mention that it was not proposed to pass the type of order referred to above.

2. *The Cabinet* noted the report of the Secretary of State for External Affairs on the legal position with regard to persons in Canada joining the liberation forces in Hungary.

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456. DEA/8619-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM SS-227 Ottawa, October 31, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Our telegram No. SS-220 October 26 and your telegram 1484 October 30.
Repeat Washington, Paris, Permis New York (Immediate).
Repeat NATO Paris (Information).

HUNGARIAN SITUATION AND THE U.N.

Our two aims in supporting the discussion of this question in the U.N. were to put an end to the bloodshed and to try to reach a satisfactory solution. From reports reaching us the first seems to have been accomplished, at least temporarily, and it may be that the Hungarians themselves can work out a satisfactory arrangement for the future government of their country. Latest reports of the changing Soviet attitude towards the satellites indeed are so encouraging, it seems to me that it may be advisable, in the circumstances, to postpone further discussion of this question in the Security Council until the situation becomes a little more clear, and certainly until the new Hungarian Delegation reaches New York.[2] It may well be in any case that Middle East developments will prevent early discussion in any event. I hope when discussion is resumed that the Western Powers can avoid the temptation to score a propaganda victory over the Russians. Depending on the course of events a good first stage could well be that suggested to you by the Foreign Office.

2. To London only: Could you please outline these views to the Foreign Office.

To Washington and Paris only: Please discuss with the State Department (Quai d'Orsay) along these lines.

To New York only: It would be useful to discuss this with your UK, French, US and Australian colleagues.

[J.] LÉGER

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[2] Dans une importante déclaration publiée le 30 octobre 1956, l'Union soviétique a annoncé qu'elle avait l'intention de réviser ses relations avec les États socialistes de l'Europe de l'Est « so as to remove any possibility of violation of the principle of national sovereignty, mutual benefit and equality in economic relations. » Pour la déclaration, voir *Documents on International Relations, 1956*, London, Royal Institute of International Affairs - Oxford University Press, 1959, pp. 465-468.

In an important declaration issued on 30 October 1956, the Soviet Union announced its willingness to conduct a searching re-examination of its relations with the socialist states of Eastern Europe "so as to remove any possibility of violation of the principle of national sovereignty, mutual benefit and equality in economic relations." For the declaration, see *Documents on International Relations, 1956*, London, Royal Institute of International Affairs - Oxford University Press, 1959, pp. 465-468.

457. E.R./Vol. 8

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Inde

Secretary of State for External Affairs
to High Commissioner in India

TELEGRAM M-604 Ottawa, October 31, 1956

SECRET. IMMEDIATE.

Repeat London, Paris, Washington, Permis New York (Information).

A press despatch just received carries the story of Indian condemnation of the Israeli attack on Egypt. I have no quarrel with the Indian Government's decision in this matter but the contrast between its quick and strong denunciation of Israeli action with its complete silence over events in Hungary, and Russian intervention in these events, will have a very bad effect in this country.

L.B. PEARSON

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458. DEA/8619-40

Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures

High Commissioner in India
to Secretary of State for External Affairs

TELEGRAM 642 New Delhi, November 1, 1956

SECRET. IMPORTANT.

Reference: Your telegram [M604] October 31.

INDIA'S SILENCE OVER HUNGARY

I saw Pillai at noon November 1. I began by saying that when I had requested this interview a few days ago it was to give him a memorandum† on the Hungarian situation and the UN. I then gave him this memorandum which embodied the text of the documents given in your telegram SS-222 October 29. I went on to say that when we had seen Dutt on October 30 on the question of the Indo-Canadian immigration agreement he had asked me to stay on for a few minutes alone. He had then expressed India's concern over the newspaper reports of the Israeli invasion of Egypt.

2. At that time I had said to Dutt speaking personally that he had no doubt seen that there was already criticism in North America over the silence of Nehru over Hungary. It was impossible to conceive of any situation affecting a Western power which would parallel that which had arisen in Hungary. Suppose however there had been a popular revolution in Spain against Franco and USA troops had at Franco's request participated in quelling the revolution. I was sure that if that had occurred there would have been an outcry in the Indian press.

3. I said to Pillai that not repeat not only had there been silence by Nehru over Soviet armed intervention in Hungary but there had been a statement by Krishna Menon on October 28 that developments in Hungary were internal matters for the Hungarian people.

4. My fear that Indian silence on the Hungarian situation would cause criticism in North America had been confirmed by the message that I had received this morning from you. I then read your message making clear that I had not repeat not been instructed to transmit it to him but that I felt that he ought to have it. I said that I would draw to your attention the fact that there had been no repeat no separate Indian condemnation on the Israeli attack on Egypt and that you must be referring to the statement of the official Indian spokesman on October 31 condemning the Israeli attack on Egypt and the Anglo-French invasion of Egypt.

5. Pillai at first took strong exception to my remarks. There was no repeat no parallel between what was happening in Egypt and what had happened in Hungary. Because of the Warsaw Pact and the request by the Hungarian government for Soviet assistance in quelling the revolution a cloak of legality had been cast over the Soviet action. I replied that that cloak had been cast aside when Nagy had denied that the Hungarian government had requested Soviet intervention. Pillai said that if Canada criticized India for not repeat not having come out strongly on Soviet action in Hungary he might similarly criticize Canada for not repeat not having yet issued a strong public denunciation of the aggression of Israel, France and the UK against Egypt.

6. I said I would not repeat not have spoken to him about your message to me if the question was one of recrimination. The discussion of the question of Hungary was however still pending before the Security Council. Would it not repeat not be possible for Nehru in the course of the next few days to make his position clear. The people of Hungary had put on one of the most gallant demonstrations of courage which the world had seen in many years. They had been fighting for national freedom against foreign domination. I could if I wanted to quote statements made by Nehru during the course of the Indian struggle for freedom which could be applied unchanged to the Hungarian struggle.

7. Pillai said that I was the only diplomatic representative here who had expressed to him criticism of Indian inaction in relation to Soviet aggression in Hungary. The Prime Minister's time was so occupied that it would be impossible for Pillai to speak to him about what I had said. We felt that if he were to report in a memorandum it would have an unfortunate effect. He suggested that the next time a convenient opportunity arose when I was talking to Nehru I might raise the matter with him delicately perhaps not repeat not in reference to Hungary but in reference to what might happen in another country e.g. Roumania.

8. I had hoped that by raising this issue I might evoke from Pillai the reply that though India had remained silent in public it had brought pressure to bear on the USSR through diplomatic channels. Unfortunately no repeat no such approach was made to the USSR. The only action which the Prime Minister did take to show his sympathy for the revolutionaries in Hungary was to give orders that the telegrams which he had received from Hungarian emigrés imploring his assistance should be published since he wanted the people of India to know that he was in touch with these emigrés.

9. From my experience in the past in dealing with Pillai I think that what I have said to him of your views may encourage him to urge Nehru if not repeat not to say something about Hungary soon at least to speak quickly if another situation on the Hungarian pattern arises.

10. I should be glad to know if you wish me to pursue the matter with Nehru the next time I see him.

[E.] REID

459. DEA/8619-40

Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures

Permanent Representative to United Nations
to Secretary of State for External Affairs

TELEGRAM 1084 New York, November 2, 1956

CONFIDENTIAL

Repeat London, Washington, NATO Paris, Paris (Information).

HUNGARIAN SITUATION

Under present plans there will be a Security Council meeting on the Hungarian situation at five pm today called at the request of UK, USA and France. A resolution will be presented and the USSR is expected to veto it. The USA will then move that the question be considered by the Emergency Special Session of the General Assembly under the Uniting for Peace Resolution.

2. According to the UK delegation it is most unlikely that the General Assembly would meet on this item today. It is expected however that it will meet to take this up tomorrow assuming that the procedure in the Council goes as expected.

3. The USA, UK and French delegations have not yet agreed on the draft resolution to be introduced in the Council. They are meeting at three pm and we shall forward this resolution to be introduced later in the Assembly.

4. Apparently no new Hungarian representative has presented his credentials although there are confused stories to the effect that a new Hungarian representative may be available by the time the meeting is called.

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460. DEA/8619-40

Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures

Permanent Representative to United Nations
to Secretary of State for External Affairs

TELEGRAM 1089 New York, November 3, 1956

SECRET. IMMEDIATE.

Repeat London, Washington, Paris, NATO Paris (Information).

SITUATION IN HUNGARY

Our telegrams yesterday may have given the impression that the USA, the UK and France were in agreement on the tactics and purposes of the treatment of the Hungarian item. Our info now, confirmed by the statements and attitudes taken at yesterday's Security Council meeting, is that only the UK and France were actively seeking a Soviet veto in order to have a General Assembly meeting on the Hungarian question. The USA was apparently determined to proceed more cautiously, to await clarification of the situation in Hungary, and was not prepared to rush a resolution into the Security Council designed chiefly to reap a Soviet veto. Statements made by both Dixon and Guiringaud in the

Council yesterday were much more sharply anti-Soviet than Lodge's statement. The keynote of Lodge's statement was his assertion that "We must now get all the facts so that whatever we do will be done in a sure-footed way and will be really helpful." Guiringaud on the other hand said his government had instructed him "To ask for an urgent meeting of the Security Council so that the Council may adopt an appropriate resolution. If that resolution were to prove impossible of achievement because of a veto we would have to envisage the immediate convening of a meeting of the Emergency Special Session of the General Assembly."

2. In the course of the meeting the Hungarian Permanent Mission in New York, whose First Secretary had been allowed to sit but not speak at the meeting, circulated a note to the Secretary-General transmitting a further letter dated November 2 from Nagy to the effect that large Soviet military units had crossed the border of the country marching toward Budapest. The text of the letters from Nagy of November 1 and November 2 to the SecretaryGeneral are given in a following telegram.[3]

3. The Council adjourned until 3.00 p.m. today. We have learned from the USA delegation that a resolution has been approved in Washington which is not as strong as the UK and France would want it. The USA is now prepared to put this resolution forward by itself if it cannot get UK and French agreement. The USA hope that the resolution would not come to a vote today so that the situation created by a probable Soviet veto can be delayed. In some circumstances they would be prepared to transfer this question to the Assembly but "the present circumstances are not the right ones". Their concern is no doubt partly the desire to have all the facts and not to take hasty action on Hungary but also, we believe, a desire to keep the emergency session of the General Assembly free of other issues until it has dealt fully with the Middle East crisis.

4. The UK and French delegations on the other hand are still pressing for the early moving of a resolution calculated to get a veto followed by immediate action to take the question up in the Assembly.

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461. DEA/8619-40

Projet de note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Draft Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL Ottawa, November 3, 1956

SITUATION IN HUNGARY

The information from Hungary is contradictory and confusing. We are dependent almost entirely on newspaper reports, and I understand that even the missions in Budapest itself can only get a partial idea of the situation. Nevertheless, the following preliminary comments on what is happening there might be of use over the weekend.

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[3] Pour les notes de Nagy, voir Nations Unies, Assemblée générale, *Documents officiels, deuxième session extraordinaire d'urgence, Annexe*, document A/3251, p. 1 et, Nations Unies, Conseil de sécurité, *Documents officiels, onzième année, Supplément d'octobre, novembre et décembre 1956*, document S/3726, pp. 119 à 120.

For the Nagy notes, see United Nations, General Assembly, *Official Records, Second Emergency Special Session, Annex*, Document A/3251, p. 1 and United Nations, Security Council, *Official Records, Eleventh Year, Supplement for October, November and December 1956*, Document S/3726, pp. 119-120.

2. There seems to be little doubt that the Soviet troops, under pressure from the almost universal revolt against Soviet domination, did withdraw from Budapest. The entire Hungarian army and air force went over to the rebels and only remnants of the secret police sided with the Russians. The present government is a coalition, still headed by Nagy. The old Communist Party of Hungary has been dissolved and reformed as the Hungarian Socialist Workers Party of which Janos Kadar, the closest equivalent to a Hungarian Tito, is First Secretary. Four other parties are now represented in the government. The most important are the Smallholders Party and the Social Democratic Party. Public pressure is continuing for the resignation of three former Stalinists from the key portfolios of the Interior, Iron and Steel, and Coal and Electricity.

3. It is still uncertain how much prestige or authority this government has, since revolutionary committees, both civilian and military, appear to have been set up in other cities of Hungary, and their aims and ideas concerning tactics vary enormously. The main thing they all seem to have in common is their violent anti-Russian and anti-Communist feeling.

4. With regard to the military situation, it is reported that Soviet armoured columns have entered from the U.S.S.R. and Roumania. Our military intelligence estimates Soviet strength in Hungary has increased to at least three divisions. Armoured columns have closed off the Austro-Hungarian border and telephone communications between Vienna and Budapest appear to have been cut. The main airports, railways and highways are said to be controlled by Soviet forces.

5. Radio Budapest has announced that the Hungarian government has communicated three notes to the Soviet Ambassador in Hungary concerning a protest about the entry of new Soviet troops into the country; the immediate withdrawal of all Soviet troops from Hungary; and the commencement of immediate negotiations to determine the relations between the U.S.S.R. and Hungary on the basis of equality and independence.

6. Nagy has also sent a message to the United Nations Security Council announcing Hungary's withdrawal from the Warsaw Pact and Hungary's permanent neutrality, calling on the United Nations for support. Our information is that the Warsaw Pact has no provision for withdrawal of any State before the expiration of the twenty year period under which it is valid. We have not yet secured the text of the resolution which the United States delegation intends to submit to the Security Council.

7. The vacillation of the Soviet authorities over the Hungarian situation are due, in my opinion, to the following factors:

(a) The speed with which the Titoist movement in Hungary spread into a violent anti-Russian and anti-Communist revolt;

(b) Probable divisions of opinion in Moscow as to the course of action to be followed by the U.S.S.R.;

(c) The diversion caused by the Suez crisis, giving time and excuse for the Soviet leaders to return to a policy of force in Hungary;

(d) The strongly anti-Soviet attitude adopted by the Hungarian government, probably under strong popular pressure;

(e) Fear of western intervention in Hungary, accentuated by the willingness of the British and French to risk war by actually attacking an important member of the United Nations.

8. Our latest reports are that the Russians have commenced negotiations with the Hungarians in Budapest. We have no more information than that, but I would suspect that the Russians will now demand as a minimum the stationing of Soviet troops in Hungary and the formation of a government which maintains at least the pretence of being partially

Communist. The Anglo-French defiance of the United Nations presumably will make them feel in a stronger position to resist United Nations demands and to insist with the Hungarians on a measure of Soviet control. In my view, one of the most disastrous consequences of the Middle East adventure is the excuse now given to the Russians to regain at least partial control of their satellites. The whole aim of NATO and the Western Alliance was to maintain the strength of the West in the hope that some day the Russians could be persuaded to agree to a more permanent type of peace for Europe. It was in our hands to see the Russian threat to Europe brought back right to the borders of the U.S.S.R. It is now quite possible that we have thrown this away.

9. The Russians are nevertheless still faced with a dreadful dilemma in Hungary. They can, if they wish, destroy the present government and the Hungarian Nationalists. The remnants of the Hungarian Communists are completely discredited, but they have escaped to Moscow. They could be restored in Budapest, but there can be little doubt in the Soviet mind that they would have to be maintained by force. In view of the complete lack of success of the Hungarian Communists in maintaining control of the country and a reasonable economic standard, and in view of the complete opposition throughout the country in every sector of national life to both Communism and the U.S.S.R., it seems doubtful that the Soviet leaders who have shown a willingness to accept the realities in Poland, would be foolish enough to think that such a situation would be permanently possible or profitable.

10. The Soviet leaders must equally, however, have been appalled at the speed with which the Hungarian Nationalists were prepared to withdraw their country from the Soviet orbit and the violence of the anti-Russian sentiments displayed. I do not think that they can tolerate the division of their Satellite empire into a northern and southern tier by the loss of Hungary, or permit the possibility of this country being built up as an anti-Soviet base, something they must undoubtedly fear. They probably suspect, therefore, that the Hungarian government's request for neutrality is simply the first step in bringing Hungary completely over into the Western camp.

11. It is not in the interests of the Western powers to attempt to push things too fast in Eastern Europe, though in all truth we have been completely passive in the events played out in Budapest. The Hungarians have set the pace from the beginning. The Russians themselves have announced their willingness to renegotiate the basis of their relations with the Eastern European countries, and indeed they are now talking of a Commonwealth of Socialist States. Before the Suez crisis really broke on us, they had also announced their willingness to negotiate the withdrawal of Soviet forces from Poland, Czechoslovakia and Roumania. If it had been possible for the West to take a diplomatic initiative at this time, this would have been the best possible moment to announce our willingness to negotiate the withdrawal of Western forces from Germany in return for the withdrawal of Soviet forces from Eastern Germany and all of Eastern Europe. The collapse of the Soviet empire in Eastern Europe would have followed almost immediately with the withdrawal of Soviet forces. The effect on the military strength of NATO could hardly have been greater than the effect on the military strength of the U.S.S.R. On the other hand, the West would have gained a tremendous political victory, but as it is the unity and military effectiveness of NATO is sadly shaken without any commensurate political gain.

12. One last thought is that unless the West gives some expression of its solidarity with and sympathy for the Hungarians, we will have lost the last remnants of our prestige in all of Eastern Europe. We can hardly expect that the Roumanians and Czechs will attempt to shake off the dominance of Moscow if the Hungarian battle is lost. I am not suggesting material aid, which is clearly impossible. But some kind of political initiative and support would clearly have been of great moral and political aid to the Hungarians.

462. DEA/8619-40

Le représentant permanent auprès des Nations Unies au secrétaire d'État aux Affaires extérieures

Permanent Representative to United Nations to Secretary of State for External Affairs

TELEGRAM 1099 New York, November 4, 1956

CONFIDENTIAL. IMMEDIATE.

Repeat London, Washington, Paris, NATO Paris (Information).
By Bag Karachi and Ankara from London, Delhi from Ottawa.[4]

SITUATION IN HUNGARY

In view of the increasing seriousness of the reports from Hungary of Soviet military intervention, the Security Council met again on the Hungarian question at 3 am today and voted on a US resolution calling upon the USSR to desist from any form of intervention and deploring the use of Soviet military forces. This resolution was defeated by the Soviet veto. The representative of Yugoslavia said that he could not take part in the vote since he had no instructions. A second US resolution referring the question to the General Assembly under the "Uniting for Peace" procedure was then adopted by ten (including Yugoslavia) in favour and one against (USSR).[5]

2. The second Emergency Special Session of the Assembly was then convened at 4 pm today. The agenda item on Hungary was adopted by 53 votes in favour, 7 against (Soviet Bloc) and 7 abstentions. There was no Hungarian representative at the meeting since the Hungarian Mission here had notified the Secretary General that they had no credentials valid for this second Emergency Special Session. On the vote to adopt the agenda all members of the Afro-Asian group except Pakistan, Iran, Turkey, Cambodia, Ethiopia, Liberia and Thailand either abstained or were absent. Yugoslavia abstained.

3. Early in the debate the USA delegation put forward a draft resolution (text follows in separate telegram)[6] which condemns the use of Soviet military forces to suppress the efforts of the Hungarian people to reassert their rights and requests the Secretary General to investigate the situation caused by foreign intervention in Hungary and to report as soon as possible to the General Assembly. My statement supporting this resolution has already

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[4] Note marginale :/Marginal note:

Repeat by tel for info to New Delhi. Done. L.F. Nov 5/56.

[5] Pour de plus amples renseignements sur ces deux résolutions, voir United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume XXV, Washington D.C., United States Government Printing Office, 1990, pp. 388-389.

For additional information on these two resolutions, see United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume XXV, Washington D.C., United States Government Printing Office, 1990, pp. 388-389.

[6] La version finale de cet avant-projet a été réimprimée au United States, Department of State, *FRUS 1955-1957*, Volume XXV, pp. 392-393.

The final version of this draft is reprinted in United States, Department of State, *FRUS 1955-1957*, Volume XXV, pp. 392-393.

gone forward.[7] After about ten speakers had been heard it was proposed, although there were still many names on the speakers' list, that a vote be taken immediately and that the remaining speakers be heard later. With the exceptions noted above, no member of the Afro-Asian group was inscribed on the speakers' list.

4. In the vote 8 members of the Soviet Bloc (including Poland) voted against the USA draft resolution (Hungary was not represented). The following 15 countries (Arab-Asian members plus Yugoslavia and Finland) abstained: Libya, India, Ceylon, Indonesia, Iraq, Afghanistan, Burma, Egypt, Jordan, Nepal, Saudi Arabia, Syria, Yemen and Yugoslavia and Finland. The remaining delegations (including Pakistan, Iran, Liberia, Turkey, Thailand, Cambodia and Ethiopia) voted in favour. Laos and Lebanon were absent.

5. The Assembly will meet again on this item, probably tomorrow, to hear the remaining speakers and explanations of vote. The latter, from the Afro-Asian group, should be interesting, if indeed any explanations are made. Lall told me at the beginning of the meeting that he could not take any part in the proceedings because he had no instructions. Since this no doubt seemed pretty lame, he added that in any case it was not proper to consider an item entitled "the Hungarian question" in the absence of properly accredited representatives of Hungary.

6. There is no need to underline the significance for the UN and for the relations between Western and Asian countries of this vote.

[L.B.] PEARSON

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463. DEA/8619-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État par intérim aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Acting Secretary of State for External Affairs

SECRET [Ottawa], November 7, 1956

SITUATION IN HUNGARY

To clear our minds before attempting any interpretation of the events of the last month in Hungary, it is necessary to set forth as clearly as possible, from a welter of sometimes contradictory reports, a chronology of events.

2. In 1953, after Stalin's death, Imre Nagy became premier and sought to shift emphasis somewhat away from heavy industry and in favour of consumer goods production. Early in 1955, after Khrushchev and Bulganin came to power, Nagy went out and Rakosi reassumed the dominant position as Party First Secretary. He sought to re-assert the primacy of heavy industry and to re-establish the political controls which had been loosened slightly under Nagy's régime. In July 1955, under mounting pressure from intellectuals and the people at large, and as a result of the logical development of Titoism, he resigned. He was replaced as Party First Secretary by Geroe, a Stalinist associate; and Hegedus, another "tough line" man, became premier.

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[7] Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 8, N° 11, novembre 1956, pp. 347 à 348.
See Canada, Department of External Affairs, *External Affairs*, Vol. 8, No. 11, November 1956, pp. 334-336.

3. Early in October, as if in response to the ferment in Poland, there was further unrest among students and intellectuals. Budapest was the scene of a mass march of 200,000 for the re-burial of Rajk who had just been "re-habilitated" after his execution for Titoism in 1949. Rakosi fled the country, but Geroe remained at the helm and attended the Black Sea talks with Khrushchev and Tito.

4. On October 23, student demonstrations in Budapest erupted into violence involving both the Hungarian security police and Soviet troops. Geroe is credited with asking for or condoning the use of Soviet forces in an attempt to suppress the initial uprising. On October 24, Nagy, known as a national deviationist and regarded as the most popular of the Hungarian Titoists, replaced Geroe. The Communist Party of Hungary was dissolved and re-formed as the Hungarian Socialist Workers Party with Kadar still First Secretary. The government was re-formed as a coalition, including members from other parties of which the most important were the Smallholders Party and the Social Democratic Party.

5. The governmental shuffles were not enough to avert a week of violence and confusion. It is impossible to sort out the aims of the various rebel groups which sprang up, for they ranged from national communist across the political spectrum to democratic socialist, peasant and possibly even farther right. They seemed to have no concrete or integrated plan or policy. Initially they demanded a representative government, the resignation of Rakosi associates, economic reforms, freedom of speech and assembly, democratic elections and withdrawal of all Soviet forces. As the shaky government yielded on these initial demands, violently anti-Russian and anti-communist elements among the rebel groups eclipsed the Titoists. Nagy was pushed further and further in his attempts to accommodate the ever-increasing demands of the rebel groups. He announced the end of collectivization of agriculture. He demanded and temporarily obtained the evacuation of Soviet forces from Budapest. He sought the withdrawal of all Soviet troops from Hungary and, after new Soviet units began to move into Hungary, he announced, on November 1 and 2, Hungary's withdrawal from the Warsaw Pact and called on the United Nations to support Hungary's "permanent neutrality".

6. The deployment of Soviet troops is of some significance. Our best information — although it cannot be regarded as entirely firm — is that when the revolt began on October 23, Soviet forces in Hungary consisted of two divisions totalling 32,600 men. As the rebels gained strength, the Russians began a military build-up on October 25. Between October 25-27, one division of 15,000 men was moved in from the USSR and, on the latter date, 10,000 men were transferred to Hungary from Roumania. By this time there were four Soviet divisions of 60,000 men in the country. On October 29, the Soviet forces began to withdraw from Budapest at the insistence of the insurgents and Nagy and in accordance with the promises of Zhukov and Shepilov.

7. On October 30 came the statement from Moscow defining Soviet policy towards Eastern Europe. We do not know whether the terms of this declaration encouraged Nagy and the rebel leaders with whom he was beginning to identify himself to go still further to satisfy the anti-communist and anti-Russian elements in the uprising, or whether Nagy's realization that the USSR had reinforced their military position in Hungary caused him to denounce the Warsaw Pact on November 1 and demand publicly the withdrawal of Soviet forces. His appeal to the United Nations on November 2 to support Hungarian neutrality suggests that fear was stronger than an attempt to placate the anti-communists. By denouncing the Pact he may also have wished to destroy the legal basis for the presence of Soviet troops. Whatever Nagy's motives the immediate Soviet reaction was to send three more divisions into Hungary from the USSR between November 1 and 3 (thus increasing their total strength in Hungary to seven divisions totalling about 200,000 men) and attack Budapest with three divisions on November 4. They clearly were not prepared to permit

Nagy to take Hungary out of the Warsaw Pact and align it with Austria outside the Soviet security system. As the United States representative pointed out to the NATO Council, the Soviet's declaration of October 30 could be interpreted as not applying to a non-communist Government.

8. The first Soviet statements about their readiness to negotiate for the withdrawal of Soviet troops were made before Nagy's declaration of Hungary's withdrawal from the Warsaw Pact. Even after this declaration, as additional troops were being moved into Hungary, the Russians agreed to a meeting between the Soviet and Hungarian military commands on November 3 to discuss withdrawal. The seizure of Nagy, allegedly for condoning the counter-revolution, at the time negotiations were actually in progress, must be seen as an act of duplicity comparable only to the imprisonment of the sixteen Polish leaders who were asked to come to Moscow in 1945 to discuss the future government of Poland.

9. A new puppet government of "workers and peasants" has been set up, headed by Kadar, who has accommodated himself to the new situation. It includes Apro, a supporter of the Nagy programme; Munnich, a former Rakosi associate (Defence and Internal Security); three former socialists and left-wing syndicalists, compromised by long collaboration with Nagy; and Horvath, dropped by Nagy as Foreign Minister and now restored to the post. The stated aims of the puppet régime set up by then Soviet high command, as announced by Radio Moscow on November 4, are given in an annex† to this memorandum. They appear designed to persuade the Hungarians that "democratization" will continue, but the phrases about national independence will seem very hollow to a people subjected to ruthless military repression for going too far and too fast. At the time of writing the rebellion was almost over though pockets of resistance were still holding out.

10. With this chronology of events before us, we must try to analyse the significance of the drastic measures to which the Soviet Union resorted in order to impose its will on a rebellious Hungary.

11. The first important thing to be kept in mind is that the Soviet Union is experiencing grave difficulties in its control in Eastern Europe. These difficulties stem from the Soviet rapprochement with Tito, the doctrine on "differing paths to socialism" adopted by the Twentieth Party Congress, the strong nationalism of the countries of Eastern Europe, the failure of ten years of Soviet control to improve the standard of living of the satellite peoples, and in most of these countries the disastrous failure of the economic programmes. For a wide variety of reasons, the Soviet Union would probably still like to work out a new relationship, based on the declaration of October 30, which would maintain the close relationship between the USSR and its satellites but would leave the satellites with a greater measure of independence at least as to internal policy. But this will depend in large measure on their estimate of the military situation.

12. The Soviet interest in the satellites is political, economic and strategic. It must be recognized that the Soviet Union considers it essential:

(a) that the satellite régimes be at minimum well-disposed to a close or at least friendly relationship with the USSR;

(b) that the Eastern European economies continue to be closely linked with that of the Soviet Union; and

(c) that, either through the presence of Soviet forces or the maintenance of effective satellite military forces willing to align themselves with the Soviet Union in the event of war, the satellites continue to provide defence in depth to the USSR.

It was only when these three essentials seemed to be threatened, i.e. that Hungary might break completely with the Soviet bloc, that the Soviet Union resorted to full-scale force to impose its will.

13. The mistake of the rebels, and of Nagy for trying to keep pace with their demands, was in trying to go too far and too fast. The pattern of the whole operation suggests that, while prepared to use force, the Russians would have preferred to have avoided military action as they did in Poland. The ambivalent approach to Nagy and the Hungarian revolt in the course of the critical week may well be a further reflection of differences of opinion within the Soviet leadership as to how best to handle their problems of imperial control. Mr. Johnson has reported some evidence in Moscow that the army leaders seemed depressed by the Soviet policies in Poland and Hungary, and elated when the attack on the Hungarian rebels was decided on. If strategic arguments were paramount in reaching this decision, then it seems logical to expect an increase in the influence of the military. As of this date, Johnson reports no real sign of a decrease in the influence or importance of Khrushchev. The Soviet Union probably decided reluctantly upon its drastic action, only when the potential defection of Hungary threatened to divide the Soviet Empire into a northern and southern tier. The Soviet leaders must have anticipated the extremely adverse reaction of world public opinion, but this was less important than the possible loss of Hungary and the fear that, if they did not take a firm stand in Hungary, the revolt might spread to other satellites.

14. The chronology of events and the assessment of the probable Soviet reasons for full-scale armed intervention cast some light on the relationship between the Soviet action in Hungary and the Anglo-French action in Egypt. The Anglo-French action and the United Nations discussion of it undoubtedly created a sensational diversion of international public attention and probably helped relieve the anxieties the Russians must have had about reaction abroad. But the fact that troop movements began three or four days before the Israeli attack on Egypt and the fact that three additional divisions were ready to move in immediately Nagy denounced the Warsaw Pact suggests that the Anglo-French action was not the dominant factor in determining the ultimate course of Soviet action, which was determined primarily by military necessity. The scale and timing of their action and the logistic preparations obviously required for mounting such an operation suggest that the decision to deal with Nagy by force if necessary was not directly related to Anglo-French action in Egypt.

15. It is conceivable, however, that the Russians might have been deterred from taking this drastic action if the attention of the world had been fully concentrated on Hungary, and if the Western powers had been firmly united, but the facts tend to disprove this. Nevertheless, had the West not been pre-occupied with the Middle East, we might then have been able to take diplomatic initiative to guarantee Soviet security interests in Eastern Europe, or possibly to take advantage of the declared Soviet willingness to discuss the withdrawal of troops from Hungary, Roumania and Poland.

16. In addition the readiness of the British and French to use force in Egypt might have re-inforced the military argument that the USSR could not at that moment afford to risk that Hungary would not only be separated from the Soviet bloc, but might also be used as a spring-board for western incursions against the USSR.

17. But the Soviet dilemma has by no means been solved by their intervention by force to suppress a revolution which they themselves must recognize represented the vast majority of the Hungarian population. In the first place they have to all intents and purposes lost one of the satellite armies. The Kadar government, in spite of its announced programme, will be loathed by most Hungarians and will be able to stay in power only with the support of

Soviet troops. Hungary will certainly for some time to come be a political and economic liability.

18. Armed intervention in Hungary and its brutality have dealt the international prestige of the USSR a severe blow, though its impact on Asian-Arab opinions has been largely lost because of the diversion of opinion in the East and the Middle East crisis. Its effect on Soviet policies in general will be very great, but it is too early to tell in exactly what direction the Russians will now move.

19. In subsequent papers I shall submit some suggestions as to the policies we might consider in the light of the developments in Hungary. I am also preparing papers on Soviet policy in the satellites in the light of the Hungarian revolt,[8] and the situation in Poland.[9]

J. L[ÉGER]

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464. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], November 7, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of National Health and Welfare
 and Acting Secretary of State for External Affairs (Mr. Martin),
The Minister of Labour (Mr. Gregg), (for afternoon meeting only)
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

RELIEF FOR HUNGARY

22. *Mr. Martin, as Acting Secretary of State for External Affairs*, considered that a substantial effort would be required to relieve, even in a small degree, the distress of the Hungarian population and to make them feel they had not been deserted by their friends in the west. Whether relief supplies would continue to be allowed into the country was uncertain, but large amounts would be needed in any event to sustain the 15,000 or more refugees who had already escaped. A considerable amount of assistance was already reaching Vienna but much more would be needed.

The Canadian Red Cross had so far devoted some $28,000 for Hungarian relief and it could draw on the $600,000 remaining in the old European Flood Relief Fund. However, it was not anxious to exhaust this fund since other emergencies would likely arise for which it would be needed. To supplement existing resources, a campaign was being organized by

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[8] Renvoie peut-être au document 476 ou au document 544./Possibly refers to Document 476 or 544.
[9] Voir/See Document 569.

Hungarian groups in Canada to secure voluntary contributions which would be paid to, and administered by, the Red Cross. These activities would not likely meet the situation and a material gesture by the Canadian government appeared desirable, not only to meet the needs of the Hungarians, but also to encourage Canadians to contribute to the campaign being organized. Such action would also be in accord with recent U.N. resolutions urging member governments to assist.

The Minister recommended that Canada offer assistance through the Red Cross either by donating 2,000 tons of butter or, preferably, by contributing $1 million for relief purposes in Hungary or among Hungarians who had left their country since the uprising began. If the latter proposal were acceptable, a portion of the funds might be turned over at once to the High Commissioner for Refugees. The money involved in both cases might be met from the vote for unforeseen expenditures or by Governor General's warrant, or a combination of both methods.

An explanatory memorandum was circulated.

(Acting Minister's memorandum, Nov. 5, 1956; Cab. Doc. 219-56)†

23. *The Minister of Finance* said he preferred the second form of assistance. However, the vote for unforeseen expenditures was not adequate and he would not like to use a Governor General's warrant. Perhaps, an immediate contribution of $100,000 as an earnest of the government's intentions would suffice for the moment and the Red Cross could arrange to finance the remainder on a temporary basis. The full amount might be voted at the special session to be called as a result of the contribution to the U.N. police force.

24. *During the discussion* the following points emerged:

(a) Should any of the proposed contribution not be used for purposes described, it should be returned to the Receiver General and not be retained by the Red Cross for other purposes.

(b) Although one could not be sure that Canadian supplies would not reach people in Hungary, it would be undesirable for any contribution to be made at this time for relief purposes in Hungary itself. Austria was faced with a serious problem in dealing with the refugees, especially as there had been a poor crop and a food shortage was possible.

(c) A request had been made to permit exemptions for income tax on contributions to a fund being organized in Montreal. The law would appear to allow exemptions in these circumstances, but the Department of National Revenue had ruled in the past that to claim them, the organization concerned had to conduct the whole operation for which it was established and not just collect funds to pass on to others. It would be preferable if those wishing to help Hungarian refugees were to make their contributions to the Red Cross and exemptions could then be granted in the usual way.

(d) Before reaching a decision on the proposal, the Department of External Affairs should make it clear to the Red Cross that the money should be used for refugees outside of Hungary and ascertain also if part of any grant should be paid direct to the United Nations High Commissioner for Refugees.

25. *Mr. Martin* reported later that the Red Cross would use any grant for assistance to refugees not in Hungary, and also that the High Commissioner for Refugees needed funds urgently. He suggested that one grant of $100,000 to the Red Cross and another of the same size to the High Commissioner be approved in principle now for use in assisting refugees, to be paid when funds were available.

26. *The Cabinet* noted the report of the Acting Secretary of State for External Affairs on relief for Hungary and agreed.

(a) that $100,000 be contributed to the Canadian Red Cross for the relief of refugees who had left Hungary since the recent uprising in that country began, on the understanding that as much materials and supplies be procured in Canada as possible, and that any portion of the grant not used for the purposes specified be returned to the Receiver General;

(b) that $100,000 be contributed to the United Nations High Commissioner for Refugees for the same relief purposes; and,

(c) that detailed financing arrangements be settled subsequently by the Treasury Board, but that, as an earnest of the government's intentions, $50,000 be made available immediately from the unforeseen expenses vote of the Department of Finance.

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465. DEA/8619-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council

TELEGRAM SS-245 Ottawa, November 8, 1956

CONFIDENTIAL. IMMEDIATE.

Repeat Permis New York, Washington, London, Paris, Bonn, Rome, Brussels, Delhi (Most Immediate).
By Bag Moscow, Prague, Belgrade, Oslo, Hague, Athens, Ankara, Cairo, Tel Aviv, Beirut, Pretoria, Wellington, Canberra, Karachi, Colombo, Djakarta, Geneva from London.
By Bag Warsaw, Vienna, Stockholm, Copenhagen, Lisbon, Madrid, Tokyo, Berne from Ottawa.

HUNGARIAN SITUATION

1. The following are the summary conclusions of a longer departmental paper on events in Hungary. It has not yet had ministerial approval and must necessarily still be considered somewhat speculative.

(1) The Soviet Union probably decided to quell the Hungarian rebellion by force (a possible necessity which it had prepared for at the first signs of serious trouble) only when it became clear that Nagy had lost control of the situation and was merely riding the crest of the rebels' ever increasing demands. His concessions and demands meant the end of Communist control and the withdrawal of Hungary from the Soviet Bloc. For political, economic and, most important, strategic reasons, the Soviet Union could not permit this. It would have preferred the maintenance of essential control by less violent means but felt forced to intervene to prevent Hungary's total defection.

(2) The duplicity of the Russians in this action should be noted. During the week when Soviet troops were being moved into Hungary, Bulganin and Zhukov were consistently denying these movements to Western diplomats in Moscow. Moreover, the Russians were actually mounting their full-scale assault on Hungary at the same time as they were offering to negotiate and holding discussions with the Hungarians for the complete withdrawal of Soviet troops.

(3) By its action in Hungary, the Soviet Union has seriously impaired its line of peaceful co-existence and the possibilities for better relations, in all fields, with the West. Unfortu-

nately, the impact on Asia-Arab opinion has been largely dissipated because of diversion of attention to the Middle East.

(4) The timing and pattern of troop movements into Hungary, and the necessary logistical preparation for those movements, show that the Soviet Union was prepared to take drastic action to cope with the Hungarian situation, if it got out of hand, *before* the Israeli attack on Egypt and *before* the Anglo-French action in Egypt. While the latter offered a sensational diversion of international public opinion for action which the Russians decided was necessary for them to take, and thus minimized for the West a great political and propaganda advantage, it cannot be considered as the primary motivating factor for the Russians.

2. As you know, both the Prime Minister and the Minister have condemned the Soviet action in Hungary in forthright terms, and Canada voted for the USA resolution on Hungary at the Special Session of the General Assembly.

3. (For NATO Paris only) You may use this analysis in discussions in the NATO Council.

4. (For other missions) You may use this analysis at your discretion with the Foreign Ministry and with diplomatic colleagues.

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466. DEA/5475-EA-4-40

Le secrétaire d'État aux Affaires extérieures
au ministre de la Citoyenneté et de l'Immigration

Secretary of State for External Affairs
to Minister of Citizenship and Immigration

CONFIDENTIAL Ottawa, November 9, 1956

My dear Colleague:

I am most grateful to you for the very prompt action which you took to give priority in selection to Hungarian refugees and to extend the assisted passage loan scheme to them. I know this offer by Canada, as well as the grants of $100,000 each to the U.N. High Commissioner for Refugees and the Canadian Red Cross, is greatly appreciated by all who are concerned with the plight of these unfortunate people. I see in this morning's paper that wide publicity is being given in Austria to our offer.[10]

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[10] Le 6 novembre 1956, J. W. Pickersgill a publié le communiqué suivant :
"With the approval of the Prime Minister and in accordance with the general policy of the Government respecting refugees, the Canadian Immigration Office in Vienna has been instructed to give priority to applications from refugees from Hungary. Assisted Passage Loans will be available to such immigrants on the same terms as to other immigrants from Europe." Des instructions semblables ont été communiquées aux agents d'immigration en poste à Londres, à Paris, à La Haye, à Cologne, à Copenhague, à Rome, à Bruxelles, à Stockholm, à Oslo et à Berne. En outre, Pickersgill a annoncé que les réfugiés hongrois n'avaient pas besoin de parrains canadiens ou de répondre aux exigences professionnelles habituelles. Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 8, N° 11, p. 337.

On November 6, 1956, J.W. Pickersgill issued the following statement:
"With the approval of the Prime Minister and in accordance with the general policy of the Government respecting refugees, the Canadian Immigration Office in Vienna has been instructed to give priority to applications from refugees from Hungary. Assisted Passage Loans will be available to such immigrants on the same terms as to other immigrants from Europe." Similar instructions were issued to immigration officers in London, Paris, The Hague, Cologne, Copenhagen, Rome, Brussels, Stockholm, Oslo and Berne. In addition, Pickersgill announced that Hungarian refugees did not need to have Canadian sponsors or meet the normal occupational requirements. See Canada, Department of External Affairs, *External Affairs*, Vol. 8, No. 11, p. 325.

I should like to raise with you the possibility that, in the case of Hungarian refugees, we might adopt a more liberal policy than would be applicable to a regular immigration operation. I am afraid that, if we stick rigidly to the usual health and job training requirements, Canada's offer to give priority will seem a rather meagre one compared with what I understand are unconditional quota offers by a number of other countries. If the word gets around, as it is bound to, that we are willing to take only the hale and the hearty and that we are leaving those whose need for help is greater to other countries, then it is bound to reflect adversely on Canadian willingness to help.

You are no doubt aware that a number of outstanding applications from Hungarians have already been approved by your Department. They concern persons with close relatives in Canada who had been denied exit permits by the Hungarian authorities. It is conceivable that some of these applicants may have fled Hungary along with other refugees. If any in this category should present themselves to Canadian immigration officials along with other refugees I think it would be desirable that they be given special consideration in view of the fact that their applications have already been approved.

I need not emphasize the domestic and international political desirability of making it clear that Canada is taking an unselfish interest in the plight of the Hungarian refugees. I hope, therefore, that it may be possible to waive for the present purposes some of the conditions which, while admirably suited to normal immigration, do not fully meet the requirements of the present urgent situation.

Yours sincerely,

L.B. PEARSON

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467. DEA/8619-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Inde

Secretary of State for External Affairs
to High Commissioner in India

TELEGRAM SS-251 Ottawa, November 9, 1956

SECRET. IMMEDIATE.

HUNGARY

I am grateful for your prompt and effective efforts to bring to Mr. Nehru's attention the apparent discrepancy between his attitude to the situation in the Middle East and that in Hungary. His UNESCO statement was perhaps all that we could have hoped for and Menon's statement at the UN on the same issue has been welcome.

2. In view of Menon's cooperative and not unreasonable attitude so far in New York, we should not, I think, press further at the risk of turning the Indians sour. You must protect your excellent position in Delhi and not endanger it too much on the Hungarian question. It would be preferable, I think, if your note to Nehru remained unofficial and personal, since it has in any case achieved its purpose.

L.B. PEARSON

468. DEA/8619-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Inde

Secretary of State for External Affairs
to High Commissioner in India

TELEGRAM SS-252 Ottawa, November 9, 1956

SECRET. IMMEDIATE.

Reference: Your telegram 684 of November 6† and my telegram SS-245 of November 8.

SITUATION IN HUNGARY

If you wish to show my SS-245 to any members of the Indian government you may wish to expand verbally on the conclusions of its paragraph 4.

2. The Soviet military build-up from two divisions began at least as early as October 25 and reached a total in Hungary of four divisions by October 27 and of possibly nine divisions by November 3. The Russians attacked Budapest on November 4 with three divisions and set up a puppet communist government under Kadar which promises only a limited number of the rebel demands.

3. The timing and pattern of Soviet troop movements into Hungary, which required extensive logistical planning, show that the USSR was ready to take drastic action before the Israeli and Anglo-French action in Egypt. The latter action has diverted foreign and Soviet public opinion from a resort to brutality, the only course of which the Soviet leadership is capable when its vital interests are threatened by a genuinely nationalist movement, and cannot be considered as the primary motivating factor for the Russians.

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469. DEA/8619-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le premier ministre

Memorandum from Under-Secretary of State for External Affairs
for Prime Minister

CONFIDENTIAL [Ottawa], November 12, 1956

SOVIET INTERVENTION IN HUNGARY

Soviet armed intervention in Hungary cannot help but have a profound effect throughout the world and upon relations between Canada and the Soviet Union. Here, and in New York, we have been engaged in efforts to determine what we can best do to stop the bloodshed in Hungary and to take advantage of the difficulties which the Soviet Union is facing in its European empire.

2. For the moment, I think the best thing we can do, apart from extending material assistance to the Hungarian people and the Hungarian refugees, is to give whole-hearted moral support to the condemnatory resolutions which the General Assembly has passed. We voted on November 4 for the first resolution, and on November 10 for the supplementary

Italian, U.S. and Austrian resolutions.[11] To my mind, the most important thing is to bring it in upon the Russians that, by their own actions, they have shattered whatever confidence in their intentions the world had begun to entertain, and that they stand alone and isolated before world public opinion. At the same time I think we must not go so far that we nullify whatever chances may remain of moderating to some extent the severity of Soviet repression by a genuine humanitarian appeal.

3. With this in mind, I have drafted for your consideration the attached message to Premier Bulganin. If you agree, I propose transmitting it through our Ambassador in Moscow. It might later be published.

4. I would also like to suggest that you call in the Soviet Ambassador, Mr. Chuvahin, to impress upon him the extremely unfavourable reaction which Soviet actions in Hungary have caused in this country. You might tell him that, if the Soviet Union persists in this course of action, it is idle to speak of improving relations in any field between Canada and the Soviet Union. You might also read out to him the message which you have sent to Premier Bulganin to impress upon him the seriousness with which the Canadian Government and people view the events of the last few days.

5. The attached message was shown to Mr. Pearson before he left again for New York. He was in two minds about sending it and suggested that another way of coping with the matter would be for you to call the Soviet Ambassador in and give him orally the substance of the message. Mr. Pearson said he would like to leave it to you to decide which you thought was the better course of action.

J. L[ÉGER]

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470. DEA/2462-40

Le premier ministre
au président du Conseil des ministres de l'Union soviétique

Prime Minister
to Chairman of the Council of Ministers of Soviet Union

Ottawa, November 13, 1956

Dear Mr. Chairman:

I consider it my urgent duty to let you know that the people and the Government of Canada have been profoundly shocked by the reports we have received of the actions your Government has taken in Hungary during the last few weeks. We have made our attitude clear in the position taken by Canada in voting for the United Nations resolutions on this subject. I wish to add my plea not only for rapid compliance on the part of the Soviet Government with these resolutions, but for a display even at this late date of moderation towards the unfortunate victims of these tragic events.

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[11] Pour de plus amples renseignements sur ces trois résolutions, voir United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume XXV, Washington, United States Government Printing Office, 1990, pp. 428-429.

For additional information on these three resolutions, see United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume XXV, Washington, United States Government Printing Office, 1990, pp. 428-429.

I can assure you, Mr. Chairman, that I speak for the whole people of Canada in expressing our horror at the suffering of the Hungarian people as a result of their efforts to obtain the freedom to choose their own type of Government. It is not, however, my present purpose to attempt to pass judgment on the actions that have been taken but to ask you, in the name of humanity, to use your influence to alleviate the sufferings of the Hungarian people and to permit competent international agencies and organizations to help in the urgent work of distributing food and caring for the sick. In this humanitarian work the Canadian Government and people are already giving material support wherever it is within their power to do so.

The Government and people of Canada have no desire to influence the form of Government chosen by the peoples of Eastern Europe. Our only aim is that they should be free to do so, and that the Governments so chosen should steer their own independent courses, respecting the equal rights of all their neighbours and bearing in mind only the needs and wishes of their own people in accordance with the principles and purposes of the United Nations Charter.

Yours sincerely,
LOUIS S. ST-LAURENT

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471. DEA/8619-40

Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures

High Commissioner in India
to Secretary of State for External Affairs

TELEGRAM 764 New Delhi, November 13, 1956

TOP SECRET (CANADIAN EYES ONLY). IMMEDIATE.
Reference: Your KK-150 November 12.†

NEHRU AND HUNGARY

This morning November 13 I had a 25 minute conversation with Nehru in his office just before the opening of the Colombo Prime Minister's meeting at 9:30.

2. I began by thanking him for granting me an interview at a time when I knew he was even more pressed than usual. I had reported to you that it was expected he would be making a considered statement on Indian foreign policy in Parliament November 14. You knew that he was receiving information about events in Hungary from India's own missions abroad and from friendly governments. Canada had some information which you wished me to give him. Normally I would have given the information to Pillai for transmission to him but I was under instructions that the information contained in one of the documents was not repeat not to be committed to writing but was to be given orally (meaning your SS-252 November 9).

3. I then handed him a memorandum embodying your SS-245 November 8. Before I had a chance to go on with the oral expansion of paragraph 4 of the memorandum Nehru said that the essential charge in the Departmental paper was of "duplicity" against the Russians, that their statement of October 30 was "eyewash". However both Russia and China keep striking forces always ready. It is therefore possible that the decision to move into Hungary had been taken after October 30.

4. I said that another telegram which I had received from you demonstrated that the Soviet build-up had begun as early as October 25 and had reached a total in Hungary of four divisions by October 27 and of possibly nine divisions by November 3. Thus by October 30 when the Soviet statement was issued the number of Soviet troops in Hungary was already somewhere between four divisions and nine divisions. I then read to him slowly the operative paragraphs of SS-252.

5. Nehru said we had to go back beyond the actual Anglo-French invasion of Egypt. UK and France had been moving troops in the Mediterranean from August on. The implications of this would make it necessary for the USSR to begin to make its own troop dispositions.

6. I said that I had nothing to go on except the information [in] your 252, but I failed to follow Nehru in his reference to a connection between the Anglo-French military build-up in the Mediterranean and the Soviet mobilization against Hungary beginning on October 25.

7. Nehru said that what we were both doing was trying to make logical deductions from the information in the telegram I had read to him. It was clear and here he mentioned the Yugoslav interpretation of events in Russia that for some months there had been 2 groups within the Russian government pulling in different directions. One group was prepared to allow the trends towards liberalization in Poland and other Eastern European countries to continue; the other considered it dangerous to let these get out of hand. We must remember the mentality of the Russians in respect of Eastern Europe. They consider that the USA by various means is "constantly inciting the people of Eastern Europe to revolt".

8. The mere fact that the Soviet military buildup against Hungary had begun at least as early as October 25 did not repeat not necessarily mean that the tougher group in the Soviet government had won out by that time. When on a critical issue opinion within a government is divided it is often necessary for a government to authorize preparations for the action which would have to be taken in the event the Government finally comes down in favour of one side or the other. Thus the fact that by October 25 the Soviet government had authorized a military buildup against Hungary did not repeat not necessarily mean the Soviet government had then decided on a tough policy against Hungary. It could mean merely that the Soviet government had authorized the buildup in case the government finally accepted the views of the tougher faction.

9. I agreed that undoubtedly what he had said of the way any government would act was correct. I drew his attention however to an article in the *Hindustan Times* this morning on the genesis of the Hungarian revolution which referred to the initial spark being the huge student demonstrations on October 23. I said it was surely significant that the other faction in the Soviet government was strong enough only 2 days after the first student demonstration to get authority for what amounted to partial mobilization against Hungary.

10. Nehru said that just as there had been indications for some days ahead of the launching of the attack that Israel was going to attack Egypt — indications so strong that Eisenhower had made representations to the Israel government — so also there could have been indications to Russia even before the student demonstration of October 23 in Budapest that the Soviet position in Hungary was going to be threatened. I said that so far as I could recall the only public advance notice had been a statement about 2 days before October 23 that the students of Budapest were going to put on a peaceful demonstration.

11. Nehru said that what he was thinking of was the process of liberalization which had started in Poland a good deal earlier and which the Russians must have known would affect Hungary.

12. (Group corrupt) to Nehru's remarks about conflicts between 2 groups in Moscow. I said that I had a copy of a telegram of November 5 from our Ambassador in Moscow which gave his interpretation of what had been happening there. I then handed Nehru a memorandum embodying Moscow's telegram 367 November 5.† Since it was now about 9:20 I went on immediately to say that the only other document I had to give him was one containing extracts from a statement you had made at a press conference on November 9 on the rejection by the USSR of the UN resolution to send supplies to Hungary.[12] I gave him a memorandum embodying the information in your telegram YY-606 November 10.†

13. Without giving him a chance to comment I went on to say that there (was?) one pleasant matter I would like to bring up. I spoke about the International Police Force along the lines of my telegram 763 November 13† and we then had a few minutes talk about Nehru's hope that he would be able to visit Canada.[13] On this I am also reporting separately.

14. At the end of our talk Nehru said that while the agenda for Parliament for November 14 did state that he was going to give a speech on international affairs it would not repeat not be possible for him to do so because of being tied up with the meetings of the Colombo Prime Ministers. Consequently the speech had had to be postponed to November 16. I said I was looking forward to hearing him that day.

15. My conversation with Nehru was most depressing example of his willingness to find the least blameworthy explanation of every step the USSR has taken in respect of Hungary.

[E.] REID

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472. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], November 14, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Labour (Mr. Gregg),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General
and Acting Minister of Justice (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Registrar of the Cabinet (Mr. Halliday).

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IMMIGRATION; HUNGARIAN REFUGEES

21. *The Minister of Citizenship and Immigration* reported that he had had an opportunity, when recently in Toronto, of explaining at a private meeting of the heads of organizations

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[12] Voir/See *The Globe and Mail*, November 10, 1956, p. 2.

[13] Voir/See Volume 22, Document 692.

representing new Canadians from European countries behind the "Iron Curtain", what the plans of the Canadian government were to help Hungarian refugees wishing to emigrate to Canada. This had been a timely opportunity as there had been considerable misrepresentation in Toronto as to these plans and views had been advanced that the proposed priorities for such refugees were mere talk and would be nullified by immigration red tape.

He had explained that orders had been given to immigration offices that all Hungarian cases were to be given first priority, that no application by a Hungarian was to be turned down on account of any technicality, and that the ordinary rules of sponsorship would not apply so that a request from anybody reasonably able to look after a refugee would be considered and dealt with promptly.

22. *Mr. Pickersgill* added that, so far, there had been very few cases coming forward. The reason was, no doubt, that the refugees in Austria were mainly women, children and old men who were in too dazed a condition to think about emigration and were only concerned with keeping alive. This situation might well alter in the future, however. He felt the immigration officials in Toronto were doing a good job and were making Hungarian Canadians and others concerned realize that the Federal government was interested and sympathetic at this time of difficulty. The United States proposals to admit an additional 5,000 Hungarians had received considerable publicity but it was not realized that it was merely a proposal to place a bill to this effect before Congress. At the moment it meant nothing. Also, in his opinion, it would be inadvisable to contemplate establishment of any refugee camp in Canada. Only those refugees should be taken who could take employment or who could be looked after by others. The equivalent expenditure would provide direct relief for far more persons in Europe than in Canada.

23. *The Cabinet* noted with approval the report of the Minister of Citizenship and Immigration on the explanation he had given in Toronto about the immigration proposals to assist Hungarian refugees.

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473. DEA/5475-EA-4-40

Note du chef de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division,
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], November 14, 1956

CANADIAN AID FOR HUNGARIAN REFUGEES

In my memorandum of November 9, 1956,† I pointed out that our contribution to this problem was not as generous as it first appeared and that we ought to try to liberalize our regulations with regard to the admittance of Hungarian refugees unless we were to be exposed to considerable criticism. This has already commenced as can be seen from the attached editorials in the *Toronto Telegram*[14] and the *Globe and Mail*,[15] among others, which refer to the attitude of the Immigration Department as double-talk with little practical significance. The *Montreal Gazette* of this morning also suggests that Mr. Pickersgill will face criticism in Parliament for the policy he announced respecting the entry to Canada of Hungarian refugees.[16] Annexed are a few excerpts from the press, and some typical editorials.

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[14] Voir/See *Toronto Telegram*, November 12, 1956, "Let Hungarian Refugees In," p. 8.
[15] Voir/See *The Globe and Mail*, November 12, 1956, "The Gains," p. 6.

2. I attach a telegram of November 13† from the Canadian Delegation in New York which indicates that other countries have agreed to admit Hungarian refugees as follows:

Argentine – 3,000 children
Australia – 3,000
Belgium – 4,000
France – as many as wish to go
Netherlands – 1,000
New Zealand – 500
Sweden – 1,000
Switzerland – 2,000
United Kingdom – 2,500
United States – 5,000
Germany – 3,000
Italy – 2,000
Israel – all Jewish refugees

In addition, it would appear that the United States administration is making a special effort to cut through the red tape in order to admit the refugees immediately.

3. Dr. Stanbury, of the Red Cross, phoned me this morning to give me a report on the interview which the Head of the Hungarian-Canadian Federation had had on Monday with Mr. Pickersgill in which an attempt had been made by the Hungarians to secure details of what our immigration policy really is. The delegation, according to Dr. Stanbury, is extremely dissatisfied as they were not able to get any clarification on what the immigration policy means in regard to the following points:

(a) sponsorship — financial aid is apparently still required; and

(b) health — Mr. Pickersgill said that they were prepared to accept some substandard health risks but that it was up to the sponsors to secure the approval of the provinces. If this were not forthcoming all the refugees would be required to meet medical standards and other normal immigration requirements.

4. Dr. Stanbury told me that the Red Cross has had in the past, in a few humanitarian cases, been required to deposit bonds with the provinces accepting immigrants with a risk of T.B. He added that the tragedy of it seemed to be that there were many empty T.B. beds all across Canada but he saw little hope of cutting through red tape. He did add, however, that he was worried about the reaction of the Hungarian-Canadians when it became entirely clear to them that in fact Canada was not proposing to give any assistance to the refugees in the way of admitting them to this country except in cases which would be obviously profitable to Canada.

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[16] Voir/See Arthur Blakely, *Montreal Gazette*, November 14, 1956, "Ottawa Day by Day," p. 8.

5. As this question has internal political, as well as international, implications, you may wish to let the Minister know. So far as I am aware Mr. Pickersgill has not yet replied to Mr. Pearson's letter on the subject.[17]

R.A.D. F[ORD]

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474. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 222-56 Ottawa, November 15, 1956

CONFIDENTIAL

RELIEF FOR HUNGARY

It will be recalled that on November 7 the decision was taken to make available the amount of $200,000 for the relief of Hungarian refugees. One half of this amount is to be assigned to the United Nations Refugees Fund, the other half to the Canadian Red Cross Society for emergency relief of refugees from Hungary.

The decision concerning those relief arrangements for refugees from Hungary (who are mainly in Austria, where their number has been estimated at some 15,000 (now reported as increased to 21,000)) was taken at a time when it appeared that the Red Cross might be prevented from bringing effective assistance to the tens of thousands of people suffering acute distress in Hungary. Although reports are far from complete, it is clear that shortages of food, medical supplies and shelter are critical in Budapest and other parts of Hungary. Red Cross authorities in Vienna have informed the Canadian Red Cross Society that shipments of butter, wheat, flour and dried milk would be particularly welcome.

On November 9 the General Assembly resolved by 67 votes in favour (including Canada), none against and 8 abstentions "to undertake on a large scale immediate aid for the affected territories by furnishing medical supplies, foodstuffs and clothes", and called upon all Member States "to participate to the greatest extent possible in this relief action".

Despite opposition from Soviet sources the Red Cross has now been able to begin effective relief operations within Hungary, and it is believed by Red Cross authorities that they will be able to maintain and expand the relief services which have begun with the arrival of the first two convoys. In view of the large number of people in acute distress, and the extent of the physical damage to the city of Budapest, it seems clear that the relief required will be on a massive scale.

As the original contribution approved last week was to be limited to the relief of refugees, and as effective relief activities on what will undoubtedly prove a substantially larger scale are now being undertaken by the Red Cross within Hungary, the Government will no doubt wish to consider whether a contribution should be made to the support of this latter relief programme.

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[17] Note marginale :/Marginal note:

Please have telegram prepared to minister. It could take the form of a draft telegram he could send from N.Y. to Mr. Pickersgill. J. L[éger]

The political arguments in favour of such a contribution are obviously powerful. The entire world has been stirred with admiration for the heroism and determination of the Hungarian people in their bitter opposition to their Soviet oppressors. Their struggle has been a lonely one, since the risks of causing a greater catastrophe in the form of a general war have, amongst other reasons, prevented the western countries from providing any military assistance. We must nevertheless welcome the persistence of Hungarian opposition, even though it may be passive rather than military from now on, for it will make more difficult that Soviet control of Eastern Europe which it is our objective to diminish. The Hungarian revolt has been the first major proof that Soviet indoctrination and methods of control have not been successful, despite ten years of Soviet effort, and we must assume that opposition will continue in one form or other. As the Hungarian opposition is striving for the goals we consider desirable, we should give it whatever help we can. This opposition will be less effective if the people of Hungary come to consider themselves deserted or neglected in their hour of need. It is to be hoped that they will understand why western countries could not intervene militarily, but they would find it very difficult to understand a failure to assist them in the ways that are open. Emergency relief assistance is their most immediate need, and one which Canada and other western countries can meet.

Information on action being taken or contemplated by other governments is far from complete, but the latest reports will be made available for the discussion of this memorandum by the Cabinet. It is perhaps appropriate to mention here, however, that the Government of the United States has already offered to provide relief assistance to a total of twenty million dollars, and President Eisenhower stated on November 14: "We should — try — to get into Hungary as much as we can to help out these unfortunate people". The Soviet Government has announced that it will provide relief supplies of various types to Hungary, in at least some cases free of charge. This no doubt will have some effect in relieving distress, even though distribution of these supplies is unlikely to be impartial and present indications are that the scale of Soviet relief, though substantial, will not be adequate to meet the requirements. Poland, having itself recently asserted a measure of independence from Soviet control, has announced that voluntary contributions from the Polish people for Hungarian relief have been provided to the extent of $2 million. This is of course desirable. Nevertheless it is important on humanitarian as well as political grounds that the western countries should extend substantial aid to be distributed impartially to those in distress in Hungary.

In view of the urgent need, the political considerations mentioned, the desirability of balancing aid to those Hungarians who have stayed in their country with that already provided for those who have fled, and the probable efforts of other governments including the United States, it is suggested that the Government might make an additional contribution of eight hundred thousand dollars to provide for emergency relief in Hungary. This might best be done by making this sum available to the Canadian Red Cross Society, to be drawn on as needed to finance the provision of supplies for utilization in Hungary by the International Red Cross. In informing the Canadian Red Cross Society of this contribution it would be appropriate to suggest that to the extent practical and economical the money be used to provide supplies of Canadian origin.

In this latter connection there are several possibilities that come to mind. It appears that a most acute need is for foodstuffs; hence some of the money, up to perhaps some $300,000 could be used to provide butter from Government stocks. There is also the fact that the proposed trade agreement with Hungary would have provided for the supply of Canadian wheat to Hungary. The conclusion of that agreement has been suspended, but there is some indication that Hungarian authorities may, in any case, approach us concerning a possible wheat sale. The provision of Canadian wheat as emergency relief might usefully precede the sale of wheat if that should subsequently prove possible and desirable. Indeed a particularly favourable impression would probably be created, both in Hungary and elsewhere, if milled flour could be made available promptly to alleviate the acute food shortage. This might be done by arranging for the release of flour from commercial stocks in the United Kingdom or elsewhere, to be replaced in due course from Canadian sources.

Another possibility, which would have to be carefully studied in terms of the supply situation in Europe, would be the provision of powdered milk. There is no Government stock of this commodity, but it is believed that there are supplies available in commercial hands which might perhaps be suitably packaged for emergency distribution. Consideration might also be given to the provision of powdered eggs, which it is understood may become surplus in Canada within the next few weeks.

I therefore recommend that the Government make an additional offer of eight hundred thousand dollars, to be made available as required to the Canadian Red Cross Society, for relief in Hungary, subject to the condition that the Red Cross must be able effectively to supervise the distribution of relief and ensure that it is provided impartially to those in need. I recommend further that the use to be made of the money should be discussed with the Canadian Red Cross Society, in order to encourage the provision, to the extent practical and economical, of appropriate supplies of Canadian origin. Finally, I recommend that an immediate announcement be made of this offer and of the Government's intention to request the necessary funds from the forthcoming Special Session of Parliament.

[L.B. PEARSON]

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475. DEA/5475-EA-4-40

Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies

Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly

TELEGRAM SS-275 Ottawa, November 19, 1956

CONFIDENTIAL. IMMEDIATE.

HUNGARIAN REFUGEES

Following for the Minister: I am sending you in my immediately following telegram† text of aide-mémoire left on Friday by Austrian Chargé d'Affaires, in which Austrian government, in pressing appeal, asks us to share heavy burden of taking care of high number Hungarian refugees still entering Austria.

Mr. Pickersgill (who returns Ottawa from Vancouver tonight and leaves for Europe probably next Saturday) has not yet replied to your letter on subject of November 9. You then recommended to him that we might adopt, in the case of the Hungarian refugees, a more liberal policy than would be applicable to a regular immigration operation, in view of the internal political, as well as international, implications. It has since appeared that our contribution on this question was not as generous as we first thought. Criticism is already being voiced in the press and among Canadians of Hungarian origin that our regulations regarding admittance of Hungarian refugees are not sufficiently liberal. For these reasons, it is suggested that you might raise again this matter with Mr. Pickersgill on an urgent basis. Following is text of telegram you might wish to send him directly from New York, if you agree.

"My department is sending you text of aide-mémoire in which Austrian government, in pressing appeal, asks that we continue with other friendly governments to share in taking care of high number of Hungarian refugees still entering Austria.

Austrian request adds further weight and urgency to proposal I made in my letter to you on this subject of November 9, that we might adopt in the case of the Hungarian refugees a more liberal policy than would be applicable to a regular immigration operation. Considering the unconditional offers made by numerous other countries, it appears that our contribution on this question has not been as generous as might be hoped. I also understand that criticism on this score is already being voiced in the Canadian press and among Canadians of Hungarian origin.

Again I need not emphasize the domestic and international political desirability of making it clear that Canada is taking an unselfish interest in the plight of the Hungarian refugees. I hope that you will be able to give this important matter your urgent consideration and that it will be possible to waive most of the non-political immigration requirements in this urgent and exceptional situation."[18]

[J.] LÉGER

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476. DEA/50128-B-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council

TELEGRAM SS-282 Ottawa, November 21, 1956

SECRET. IMPORTANT.
Reference: My telegram SS-260 November 13.†
Repeat London, Washington, Paris, Bonn (Information).
By Bag Moscow, Stockholm, Belgrade, Prague, Warsaw, Vienna.

THE SITUATION IN EASTERN EUROPE

The NATO countries were caught completely napping by the events in Hungary, and, of course, the Middle East diversions prevented us from concentrating our diplomatic resources on this problem. It would be disastrous if this were to be repeated and I am therefore advancing a few ideas which might be put forward when this question is next discussed in the NATO Council.

2. The dilemma for the Russians, of course, is that they have seriously endangered their policy of co-existence and the position of the Communist parties in Western Europe, in order to keep Hungary in the Soviet bloc, and to protect their strategic position. They might now very well wish to establish a national communist régime in Hungary which would, however, remain an integral part of the Soviet bloc, but it seems doubtful that they will be able to govern except by a military régime.

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[18] On ne sait pas très bien si ce message a déjà été envoyé à Pickersgill.
It is not clear whether this message was ever sent to Pickersgill.

3. This is bound to have its effects on the other satellites, and in Poland and Yugoslavia. The brutal repression of Hungary is likely to discourage other revolts. In Poland it may have the effect of slowing down the too rapid evolution towards national communism, but will also add fuel to the anti-Russian, anti-communist fires.

4. It is difficult, therefore, to see how the Russians can simultaneously suppress Hungary and the satellites, and yet continue the Khrushchev policy towards Yugoslavia, and tolerate the evolution of Poland.

5. It is this dilemma which might precipitate another crisis, with all the implications for the West since either Soviet policy carries with it the seeds of further unrest. If there should be an outburst in Poland, it would certainly arouse the strongest of feelings in the West, possibly with considerable pressure "to do something". If it should happen in Czechoslovakia, with an open frontier on the West, then the pressure to help the Czechs might be overwhelming. Admittedly there seems little likelihood of an outbreak in the latter country, but it cannot be dismissed entirely.

6. We must be prepared then for two eventualities, either that violence should spread; or that the evolution towards national communism in Poland, Hungary, and possibly the other satellites continues. This requires an early clarification of the kind of positive, and above all joint, action the Western Powers can take to meet either possibility, since the only thing we can be sure about is that the situation will not remain static.

7. In the event of another outbreak of violence, as suggested in paragraph 5, we would presumably want to rule out military action, since this would mean world war, but there may be ways to bring non-military action to bear in addition to the UN.

8. In the event that violence does not spread, the best hope probably lies in encouraging "gradualism" in the evolution of Eastern Europe. As a start, now that jamming of foreign broadcasts has ceased in Poland, we might counsel the Polish people to exercise patience in order to avoid another Hungarian catastrophe. We are already taking steps here to make sure that the tone of our CBC-IS Polish broadcasts is not inflammatory.

9. This, of course, has another aim of not confirming Soviet fears and suspicions of ultimate Western aims in Eastern Europe. This is intimately connected with a new Western policy (and propaganda) which would try to re-assure the Russians on their security problem. In this connection, there are many variations on the theme of guaranteeing legitimate Soviet security interests in Eastern Europe, which could be discussed.

10. Ultimately our aim should be to help the Russians to see that the examples of Yugoslavia, Poland and Hungary prove that they can only combine the two aims of protecting their security and maintaining communist régimes by the use of brute force; and that the most they can hope for in the long run is neutrality for Eastern Europe along the lines of Yugoslavia. This, of course, should not be our proclaimed policy, but discreet encouragement of the Gomulka régime and the national communists would be a first step in the right direction. This must be done very carefully, however, and not at the risk of frightening the Russians into thinking we were trying to detach Poland from the Soviet bloc.

11. If it becomes clear that the Russians were prepared to permit evolution towards national communism to develop, then some of the specific steps we could eventually take to encourage this might be: to strengthen economic ties, emphasizing the switch to consumer goods and those aspects of the satellite economies which would add least to war potential; a gradual move towards multi-lateralism (a United Kingdom suggestion), emphasizing first of all links between Poland and Yugoslavia, etc, closer diplomatic contacts, more cultural contacts, and so on. It should be underlined that this is a long-term suggestion and is very much dependent on the course of Soviet policy.

12. These are very preliminary ideas, of course, and your own suggestions and comments would be most useful. The main thing, in our mind, is to regain the initiative in an area of immense importance to the West, and at least start serious consideration of a new Western policy. The Minister agrees with the general line of thinking advanced in this telegram.

13. For London, Washington, Paris, Bonn: I should appreciate your views. If the occasion arises you might use some of these ideas with local officials in order to ascertain the thinking of the government to which you are accredited.[19]

[J.] LÉGER

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477. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], November 22, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Minister of Justice (Mr. Garson),
The Minister of Public Works and Acting Minister of Agriculture (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

RELIEF FOR HUNGARY
(PREVIOUS REFERENCE NOV. 7)

9. *The Prime Minister, on behalf of the Secretary of State for External Affairs*, submitted a further report on relief for Hungary. The number of refugees had increased considerably. Also, it was now believed that effective relief operations could be carried on inside the country itself. In view of the powerful political arguments for increasing the scale of assistance and the urgent need, the Minister recommended that a further contribution of $800,000 be made to the Canadian Red Cross for emergency relief inside Hungary. To the extent that it was practical and economical, the money might be used for supplies of Canadian origin such as wheat, powdered milk, or powdered eggs, all of which would be useful.

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[19] Pour une analyse plus poussée de l'incidence des progrès réalisés en Hongrie et en Europe de l'Est sur la politique de l'Union soviétique, voir les documents 544 et 545.
For additional analysis of the impact of developments in Hungary and Eastern Europe on Soviet policy, see Documents 544 and 545.

An explanatory memorandum had been circulated.

(Memorandum, Secretary of State for External Affairs, Nov. 15, 1956 — Cab. Doc. 222-56)

10. *During the discussion* the following points emerged:

(a) The contribution of $200,000 authorized so far was too small. Already pressure was developing to increase it. However, in making this increase for purposes inside Hungary, as well as outside, it was essential that the relief be handled by the Red Cross and not controlled by the present Hungarian government.

(b) In principle, it was a mistake to provide this relief. Either the revolt in Hungary would be so ruthlessly suppressed that it would be a long time before the people ever rose again, or else there would be continuous unrest and trouble. By contributing supplies was not Canada dampening down the Hungarian desire for freedom?

(c) Some pressure was likely to develop to establish refugee camps in Canada. Any such action would give rise to appalling problems. More value could be obtained, and the immediate needs of sufferers best met, by providing relief in Europe rather than by using the same money to bring refugees here. For this reason, a reasonably adequate contribution, announced quite soon, was desirable.

(d) Apart from the $200,000 already committed to the Red Cross and the U.N. High Commissioner for Refugees, the increased funds should not be specifically earmarked. The vote should be broad enough, for instance, to cover any assessment the U.N. might make on its members for Hungarian refugee problems.

11. *The Cabinet* approved the recommendation of the Secretary of State for External Affairs, and agreed that a further $800,000 be made available for the relief of Hungarian refugees, and that Parliament be asked to approve the appropriation of $1 million for Hungarian relief in general terms.

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478. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], November 23, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin).

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IMMIGRATION; HUNGARIAN REFUGEES
(PREVIOUS REFERENCE NOV. 14)

1. *The Minister of Citizenship and Immigration* said that, until a few days ago, his officials in Vienna had been able to keep up with the applications of Hungarians to come to Canada. Now, however, these requests were being made at such a rate that they could not be dealt with as promptly as the situation demanded. As of yesterday, 657 people had applied but only 128 visas had been granted and 21 refused. If further steps were not taken to speed up processing, the feeling would grow here that red tape was nullifying the plans announced to help these refugees. He proposed, therefore, that he be authorized to waive the usual form of medical examination and to use funds, which were available in his appropriations, to charter aircraft to bring Hungarian refugees to Canada.

On the first point, all European countries had cut out their normal medical requirements. If his suggestion were approved, only a minimum medical examination would be given in Europe and X-ray and certain other examinations would be done on arrival in Canada, possibly in co-operation with the Department of Veterans Affairs. If a few cases of illness were discovered they would have to be admitted to hospital. There would probably be controversies with local authorities as to who would look after these unfortunate people, but these would just have to be faced and settled.

As regards chartering aircraft, the Canadian Pacific Air Lines had indicated it would be willing to arrange flights at quite reasonable rates between Vienna and Vancouver over the North Pole. Landing the immigrants in Vancouver was desirable because there was an Hungarian group there who would be willing to help their former countrymen, and Vancouver had always complained that it never seemed to get enough new arrivals. He hoped, too, that chartering arrangements at similarly reasonable rates could be made with Trans-Canada Air Lines.

2. *Mr. Pickersgill* added that he had already relaxed the regulations to the fullest extent possible under the law. To do more to hasten the arrival of the refugees necessitated these further arrangements and they, in turn, involved the assistance of other departments.

3. *The Cabinet* noted with approval the report of the Minister of Citizenship and Immigration on proposals for speeding up the flow of Hungarian refugees to Canada and agreed,

(a) that the normal medical examination requirements abroad, including X-ray, be waived, and undertaken on the arrival of these immigrants in Canada; and,

(b) that aircraft be chartered to bring successful applicants to this country; the detailed arrangements to be made by the Minister in consultation with the Ministers of Trade and Commerce and of Transport.

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479. DEA/2462-40

L'ambassadeur en Union soviétique
au secrétaire d'État aux Affaires extérieures

Ambassador in Soviet Union
to Secretary of State for External Affairs

TELEGRAM 396 Moscow, November 24, 1956

CONFIDENTIAL. IMMEDIATE.

HUNGARY

1. This afternoon Zakharov, Vice Minister for Foreign Affairs, handed to me Bulganin's reply dated today to Mr. St. Laurent's letter of November 13.[20] Neither Zakharov nor I made any comment on reply. Zakharov said that it was not repeat not intended to publish reply. However if Mr. St. Laurent publishes his letter, the Soviet government will publish theirs.

2. Following is an official translation of text. "Dear Mr. Prime Minister

I have received your letter of November 13. The contents of your letter and also of your recent statements and of speeches of Canadian officials about situation in Hungary show that the Canadian government seem to have one sided tendentious and unobjective information about developments in Hungary and about position of Soviet Union on this question.

3. I would like to note that revolutionary workers peasants government of Hungary have shown in their statements that reactionary forces inside Hungary with active support of certain circles outside tried to overturn peoples' democratic régime in the country and establish a Horthy fascist régime. The inner patriotic forces of Hungary came out in defence of peoples' democratic régime asking for help of Soviet troops stationed in Hungary under the Warsaw Treaty.

4. As concerning position of the Soviet government on question of relations of Soviet Union with Hungary this has been fully set forth in "Declaration of Soviet Government on

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[20] Notes marginales :/Marginal Notes:

Mr. Seaborn: Have we distributed to missions B's answer? R.A.D. F[ord]

Mr. Ford: Yes. To all those who received our tel[egram] giving text of PM's letter. J.B. S[eaborn]

Foundation for Development and Further Strengthening of Friendship and Cooperation between Soviet Union and other Socialist States" published on October 31/56.

5. In your letter Mr. Prime Minister you raise the question of Soviet government giving assistance to international organizations to make it possible for them to render assistance and help to Hungarian people in food and medicine. This question is fully within competence of Hungarian government. As far as we know government of the Hungarian Peoples' Republic has already positively solved this question and Hungarian government has formally informed Secretary General of UN about this.

Yours sincerely,

N.A. Bulganin"

[D.M.] JOHNSON

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480. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], November 28, 1956

Present

- The Prime Minister (Mr. St-Laurent) in the Chair,
- The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
- The Minister of Agriculture (Mr. Gardiner),
- The Minister of National Revenue (Dr. McCann),
- The Minister of Labour (Mr. Gregg),
- The Secretary of State for External Affairs (Mr. Pearson),
- The Minister of Justice (Mr. Garson),
- The Minister of Public Works (Mr. Winters),
- The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
- The Minister of Finance (Mr. Harris),
- The Minister of Mines and Technical Surveys (Mr. Prudham),
- The Minister of Fisheries (Mr. Sinclair),
- The Minister of National Defence (Mr. Campney),
- The Minister of Citizenship and Immigration (Mr. Pickersgill),
- The Minister of Northern Affairs and National Resources (Mr. Lesage).
- The Secretary to the Cabinet (Mr. Bryce),
- The Assistant Secretary to the Cabinet (Mr. Martin),
- The Registrar of the Cabinet (Mr. Halliday).

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HUNGARIAN REFUGEES; FREE PASSAGE TO CANADA
(PREVIOUS REFERENCE NOV. 23)

54. *The Minister of Citizenship and Immigration* pointed out that Canada was the only country which had not offered free passage to Hungarian refugees who wished to emigrate from Europe. If the Federal government did not do this the Ontario government undoubtedly would. For this reason, and more particularly because these people were in most instances penniless, he recommended that assisted passage be made free, both for future cases and for those who had already arrived or were en route. Admittedly this would increase the number of problem cases which would have to be looked after in the future, but he hoped that the provinces would agree to accept this responsibility as their part in

this humanitarian effort. Sufficient funds were available in his appropriations, but a supplementary estimate might be required by the end of the fiscal year.

Over 90,000 refugees had reached Austria and the rate of arrivals had not decreased. So far 1200 applications had been made to come to Canada. He had no idea of how many might eventually be settled here but it did appear that those interested were excellent types, most of whom could start work immediately.

55. *Mr. Pickersgill* added that acceptance of his proposal would give rise to another problem. The Jewish Immigrant Aid Society had asked if the government would consider rendering aid to the Jews threatened with persecution in Egypt. No trouble had occurred there yet but it was a possibility to be kept in mind.[21]

56. *During the discussion* the following points emerged:

(a) The fact that passage was now being provided at varying rates was beginning to create difficulties. These might be overcome by treating as a debt for everyone only what amounted to tourist passage by sea, for which there was a precedent. There was no precedent, however, for completely free passage. On the other hand, this appeared to be the only just and humane thing to do and could be defended easily because of the unusual situation. In two or three months the offer of free passage could be withdrawn.

(b) Another reason for granting this further assistance was that facilities in Austria were being taxed to the limit and that country would be faced with a severe problem unless other countries did all they could to assist.

(c) It might be possible to induce the U.N. to request countries not receiving refugees to pay part of their transportation and settlement costs. It was doubtful if anything would come of this, however, as most nations with reasonably sized budgets were already helping directly.

57. *The Cabinet* noted with approval the report of the Minister of Citizenship and Immigration, and agreed that free passage be offered to Hungarian refugees wishing to come to Canada and to those who had already arrived or were en route; an announcement to be made forthwith including a statement that the Minister was proceeding to Austria to ensure that everything was being done to move the refugees to Canada as quickly as possible.[22]

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481. DEA/5475-EA-4-40

Le ministre de la Citoyenneté et de l'Immigration
au secrétaire d'État aux Affaires extérieures

Minister of Citizenship and Immigration
to Secretary of State for External Affairs

Ottawa, November 29, 1956

My dear Colleague:

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[21] Pour le texte d'une discussion sur ce problème, voir volume 22, document 205.
For a discussion of this problem, see Volume 22, Document 205.

[22] Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 8, N° 12, p. 428.
See Canada, Department of External Affairs, *External Affairs*, Vol. 8, No. 12, p. 412.

I wish to acknowledge the receipt of your letter of November 9 which refers to the admission to Canada of Hungarian refugees.

I can assure you that during this emergency our officers are not applying too rigidly the health regulations now in effect. Instructions have already been issued to our officers in Vienna to waive the normal X-ray procedures, should they slow up the processing of applicants. As a matter of fact, in actual practice, refusals on medical grounds are now being limited to those with contagious diseases and to those who in their own interest should obviously not be moved.

It is inevitable under this drastic reduction of our medical examination standards, that some immigrants will require hospitalization on their arrival. It is hoped that other provinces will follow Ontario's example by making provision for treatment in such cases.

There are in fact no training requirements. Our officers are instructed to accept all immigrants who are willing and able to work, but we do try to advise prospective immigrants where in Canada their particular skills are most required and what conditions they are likely to encounter.

I agree that sponsored Hungarian refugees who have already received approval from this department but who lack exit visas, should be given special consideration if they appear along with other refugees before our immigration officials. Of course the main objective at present is to keep the flow maintained. Therefore our officials cannot be spared from their already very heavy duties to seek out those who may be in this position.

In order to facilitate the movement of Hungarians to Canada, we are providing free passage by air and sea on regular airline and ship service, and are arranging special chartered flights both to eastern and western Canada. Ocean shipping is being used to the fullest extent possible. Two hundred and fifty refugees are due in Quebec on December 8, and another four hundred on December 11th, and negotiations are under way for more space with other shipping companies.

Yours sincerely,
J.W. P[ICKERSGILL]

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482. DEA/8508-40

Extrait du procès-verbal de la réunion hebdomadaire des directions

Extract from Weekly Divisional Notes

SECRET Ottawa, December 3, 1956

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I. THE UNITED NATIONS

1. *Further U.N. Resolutions on Hungary*

EUROPEAN DIVISION: On November 21 the United Nations General Assembly adopted by an overwhelming majority three more resolutions on Hungary. A Cuban resolution, imputing genocide to the U.S.S.R. because of the deportations from Hungary and urging compliance with previous resolutions, was passed with 55 countries in favour (including Canada), 10 against (Soviet bloc and Yugoslavia) and 14 abstentions. An Indian resolution calling on Hungary to admit United Nations observers was adopted by 57 votes in favour, 8 against (Soviet bloc, except Poland) and 14 abstentions. Krishna Menon's statement on Hungary was the most constructive and helpful the Indian delegation has made, and the Soviet delegation was said to be surprised and angry about the Indian initiative. The Soviet bloc was isolated and split once more in the voting on a United States resolution concerning aid to Hungarian refugees, which was carried by 69 votes in favour (including Canada), only 3 against (Czechoslovakia, Hungary and Roumania) and 7 abstentions (Albania, Bulgaria, Byelorussia, Poland, Sweden, Sudan, Ukraine and Soviet Union).

Following the Secretary-General's report on November 30 that Hungary had still not complied with the Assembly's request for the admission of United Nations observers, the United States, British and French delegations co-operated (for the first time since the Suez action) in drafting a resolution recommending that the Secretary-General immediately dispatch his observers to the borders of Hungary. The resolution was introduced on December 3 under the sponsorship of 13 countries, and was carried on December 4 by a vote of 54 to 10 with 14 abstentions. Mr. Roch Pinard, heading the Canadian delegation in the absence of Mr. Pearson, spoke in support of the resolution and suggested that if the Hungarian government refused to co-operate, the United Nations should take stronger measures.[23]

The Hungarian government announced on December 3, after the latest U.N. initiative was under way, that it would be willing to have the Secretary-General visit Budapest "at a later date appropriate for both parties". Mr. Hammarskjöld then conferred with Imre Horvath, the Hungarian delegate to the United Nations, and has proposed December 16-18 as the dates for his visit to Hungary.
(CONFIDENTIAL)

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483. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], December 5, 1956

Present

The Minister of Trade and Commerce and Minister of Defence Production
and Acting Prime Minister (Mr. Howe), in the Chair,
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance and Acting Minister of Citizenship and Immigration (Mr. Harris),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Registrar of the Cabinet (Mr. Halliday).

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[23] Extraits du discours de M. Pinard sont reproduits dans Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 9, N° 1, pp. 8 à 9.
Extracts from Pinard's statement are reprinted in Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 1, pp. 8-9.

HUNGARIAN REFUGEES; ARRANGEMENTS WITH PROVINCES; REPORT ON ARRIVALS

60. *Mr. Harris, as Acting Minister of Citizenship and Immigration,* said the Saskatchewan government had presented a plan for receiving and caring for Hungarian refugees in the province which might involve substantial federal expenditure, but which might be desirable to accept and use as a basis for negotiation with other provinces.

Saskatchewan proposed to establish and administer reception centres. The Federal government would be expected to pay $3 a day for each refugee for such time as they were in these centres. If there were any expenditures for social aid, the Federal government would reimburse the province accordingly. It was also proposed that the Federal government pay the transportation costs to these centres and from them to places of employment. As regards medical examinations and hospitalization, the province would take X-rays and give vaccinations at its expense; for the first six months the Federal treasury would pay hospital costs, for the next six they would be shared equally, and after that the province would bear the full cost. Premier Douglas had asked that this latter feature be changed so that the Federal government pay full costs for a year, after which the responsibility would be assumed by the province.

The only really serious item in this proposal might be hospitalization costs, as it appeared that it would be relatively easy to establish refugees in Saskatchewan where there was already a substantial Hungarian community and a shortage of farm labour.

61. *During the discussion* the following points emerged:

(a) It might be helpful to re-open the federal reception centres used for immigrants shortly after the war. Some of these were being occupied now as the refugees arrived and it was desirable to get the provinces to cooperate as soon as possible, particularly as the question of hospitalization would probably arise immediately.

(b) The great merit of the Saskatchewan proposal was that, at the province's initiative, it established a provincial responsibility. After a year the welfare of these refugees would be quite clearly the concern of the province. However, it had to be recognized that unless similar agreements were made with other provinces, this principle might not be generally recognized.

62. *Mr. Sinclair* reported on the arrival of the first group in British Columbia, and the arrangements made to look after them. The whole of the Hungarian state school of forestry, including faculty and students, would soon be coming to the province. The University of British Columbia had agreed to help as much as it could with this group, and accommodation had been arranged by the Powell River Pulp and Paper Company. Jobs could probably be found for most of them in the summer although the older professors might present a problem. Most members of the Hungarian State Opera Company had also indicated they wished to come to Canada, preferably as a unit. The settlement and integration of its members would obviously be more difficult.

63. *The Cabinet* noted the report of the Acting Minister of Citizenship and Immigration and of Mr. Sinclair on the arrival of Hungarian refugees and agreed, in principle, that Mr. Harris might work out arrangements with the provinces for sharing the costs of their care and welfare along the lines suggested by the government of Saskatchewan.

R.B. BRYCE
Secretary to the Cabinet

484. DEA/8508-40

Extrait du procès-verbal de la réunion hebdomadaire des directions

Extract from Weekly Divisional Notes

SECRET Ottawa, December 17, 1956

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I. THE UNITED NATIONS

1. *Further U.N. Resolutions on Hungary*

EUROPEAN DIVISION. The announcement on December 6 that the Hungarian Government was not prepared to receive Secretary-General Hammarskjöld on December 16, as agreed on December 4, aroused a strong U.S.A. protest in the General Assembly. On December 10, the United States introduced a new draft resolution, co-sponsored by 15 other countries, calling attention to the failure of the Soviet and Hungarian Governments to comply with the previous decisions of the General Assembly concerning the withdrawal of troops and related political matters.

India, together with Burma, Ceylon and Indonesia, introduced an alternative draft resolution, and later tabled a number of amendments to the 16-power resolution designed to delete the idea of condemnation and bring it closer to the Indian draft resolution whose terms were couched in a milder and more conciliatory tone on the grounds that co-operation from the U.S.S.R. would otherwise be impossible.

The debate on these resolutions and on an Austrian resolution introduced on December 11 continued until December 12. During this period the United States resolution acquired four new sponsors, and a fifth paragraph was added to the operative part of this 20-power draft to take into account the Austrian proposal that "the Secretary-General take any initiative that he deems helpful in relation to the Hungarian problem in conformity with the principle of the charter and the resolution of the General Assembly." Austria announced that it would not press its resolution if the 20-power resolution was adopted.

In the vote on December 12, the Asian amendments were rejected, the Austrian amendment accepted, and the 20-power resolution as a whole was adopted by a vote of 55, in favour (including Canada), 8 against (Soviet Bloc with Hungary absent) and 13 abstentions (the Arab States, Cambodia, India, Indonesia, Yugoslavia and Finland). In view of this vote, India announced that the 4-power draft would be withdrawn.

On December 13, Hungary submitted a letter to the Secretary-General announcing formally that December 16 was not an appropriate date for his visit to Budapest, but that steps might be taken towards reaching an agreement "at a later date".
(UNCLASSIFIED)

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485. PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET [Ottawa], December 19, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue and Acting Minister of National Health and Welfare (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).

The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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HUNGARIAN REFUGEES; REPORT BY MINISTER OF CITIZENSHIP AND IMMIGRATION

27. *The Minister of Citizenship and Immigration* reported on his visit to Austria and other countries in Europe and on the steps taken to move Hungarian refugees to Canada. His latest information was that 135,000 refugees had entered Austria and 64,000 had departed, leaving about 70,000 to be cared for, or the same residual situation that existed two weeks earlier. Except for the United States, few countries were doing anything at the moment to relieve this problem in Austria. Most other European countries had quotas which they had already filled.

Canada was committed to take up to 10,000 refugees directly, who would enter before the end of January. In addition, the Netherlands had agreed to provide a staging arrangement for 2,000 who would start arriving after March 1st. The Netherlands authorities had agreed to meet the basic needs of these people in the meantime, while his department would provide such amenities as were necessary. He had also arranged with the French to permit 3,000 of those in France to come to Canada, provided France agreed to admit 3,000 more from Austria. The situation in the camps in France was most unsatisfactory, largely because the refugees had been led to regard France as a communist country. His officers in going about the camps in France were doing their best to quieten fears and improve morale. In the United Kingdom he had suggested that Canada might grant visas after April 1st next to 5,000 more refugees presently in camps there if the U.K. would make arrangements similar to those made by Holland and France.

The situation in Austria was almost desperate. Before the Hungarian outburst there had been 130,000 people in refugee camps for eleven years. In two months this figure had doubled and more would continue to come as long as chaos reigned. Whether the Russians were deliberately letting people out to create trouble was uncertain but he did know that Hungarian officials were helping their countrymen across the border. Most of those who had come were healthy men, under the age of thirty-five, many of them single, and nearly all skilled in one trade or another. Once they learned English or French they would be eminently employable.

As far as reception arrangements in Canada were concerned, the situation in Ontario had not turned out to be as satisfactory as earlier indications might suggest. Except for maintaining a centre in Toronto, the Ontario government had done virtually nothing. He proposed in a few days to find out exactly what the province intended to do in the future and to make the best arrangements he could. In other provinces arrangements appeared to be as good as could be expected. The most desirable situation would be to have agreements, like the one made with Saskatchewan, with all provinces where the bulk of the refugees were likely to go.

Specifically, he now requested authority to admit in February 2,000 more refugees now in Austria, to admit a further 1,000 in January and February in aircraft chartered from the Maritime Central Airways, and to arrange for the entry beginning April 1st of 5,000 refugees at present in the United Kingdom as well as the 2,000 from Holland and 3,000 from France.

28. *During the discussion* the following points emerged:

(a) There would be very little difficulty in placing arrivals leaving Europe after April 1st. As at present they would be sent to the areas where they were wanted and where employment opportunities were best. Up to date it had been thought better not to use the services of the Unemployment Insurance Commission to place the refugees in work because of the danger of interfering with normal employment of Canadians, but that avenue of approach was open if it were needed. Practically all coming were urban dwellers so there would not be much hope of directing many to farms to relieve the labour shortage. However, instructions had been given to send forward immediately any who did have farm experience.

(b) On the whole, the university people would be integrated and taken care of very well. In addition to the school of forestry from Sopron going to British Columbia, other faculty members and students would be brought in and offers of co-operation had been received from four Canadian universities. The rumours about the opera company coming to Canada were a myth.

(c) Immigration from western Europe would increase considerably next year, particularly from the United Kingdom. The number of enquiries in the past few weeks at offices in the U.K. had increased greatly and while many persons might eventually decide not to emigrate, most of those who did would be able and willing to pay for their own transportation. The main reason for this renewed interest was the course events had taken in the last few months.

(d) Some municipalities, particularly in Ontario, were worried over the possibility of having to care for any refugees who might become ill or unemployed. The Minister should reassure them by announcing that the Federal government would assume basic maintenance costs, if any, for the first year of residence in Canada.

(e) Refugees who wished to pay their own costs of transportation were free to do so and those who wished preferred treatment must pay too. All those who had borrowed before the recent change in policy would have their loans cancelled.

29. *The Cabinet* noted the report of the Minister of Citizenship and Immigration on the Hungarian refugee situation and agreed,

(a) that a further 2,000 refugees now in Austria be admitted during February;

(b) that aircraft chartering arrangements be suspended except for the contract with Maritime Central Airways, which would continue in January and February and provide transport for the admission of an additional 1,000 refugees from Austria; and,

(c) that 5,000 refugees now in the United Kingdom and 3,000 in France be admitted starting from April 1st, 1957, as well as 2,000 in Holland from March 1st, 1957.

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486. DEA/8619-40

Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures

Permanent Representative to United Nations
to Secretary of State for External Affairs

TELEGRAM 21 New York, January 3, 1957

CONFIDENTIAL. IMPORTANT.

Reference: My immediately preceding telegram.†
Repeat Washington, London, Paris, NATO Paris (Information).

HUNGARY

We understand from the USA delegation that they are attempting to dissuade the Cuban delegation from proposing the expulsion of the Hungarian delegate from the First Committee by interesting them instead in a resolution to be introduced in plenary the effect of which would be to appoint an investigating committee of governments. This move would come when the Secretary-General made his report, probably early next week, announcing the break-up of the three man observation committee. The USA proposal would be intended in part to keep the Hungarian question before the Assembly, in part to forestall wilder moves (such as a mooted resolution to impose sanctions on the USSR), and in part to relieve the Secretary-General of some of the more embarrassing aspects of the task imposed on him by the Assembly. The USA seems to have decided, at least for the present, not to pursue the plan to hear Anne Kethly in the First Committee. As an alternative they think this new committee might hear her and probably other Hungarians.

2. We have now heard from the UK delegation that they have received new instructions which would permit them to introduce a resolution starting from the USA base but going on to name an investigating, or watch-dog committee, from among five smaller countries with missions in Budapest. The individuals would actually be members of the diplomatic missions of those countries in Hungary.

3. My reaction, which I have not yet given to the UK, is that this is not a very wise move. The Soviet bloc is bound to vote against such a resolution, and the Hungarians would probably claim it was an infringement of their sovereignty, in which case the members of the committee in Budapest would be placed in a very invidious position.

4. I would be grateful for your comments. My inclination is to try to dissuade the UK, but to support the USA move.

[R.A.] MACKAY

487. DEA/8619-40

Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures

Permanent Representative to United Nations
to Secretary of State for External Affairs

TELEGRAM 55 New York, January 7, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Our telegram 21 January 3.
Repeat London, Washington, Paris, NATO Paris (Information).
By Bag Bonn, Moscow, Vienna, Prague, Warsaw, Belgrade from London.

HUNGARY

In view of the obvious determination of the Western Powers not to use force either to aid the Hungarian rebels, or to enforce UN decisions, there are, it seems to me, only three possible courses of action open to us:

(a) We can go on passing resolutions in the UN (with ever-decreasing majorities), which we know will not be accepted by the Russians and Hungarians, the aim of which will be presumably to continue to focus public opinion on Soviet misdeeds in Hungary;

(b) We can leave the Russians to try to work out some kind of modus vivendi with the Hungarians; or

(c) We can try to facilitate the second course or, better still, try to find a formula by which the Russians will actually leave Hungary.

2. The latter course would require an overall settlement in Central and Eastern Europe and presumably would only be acceptable to the Russians if they became convinced that there was no long-term political and economic solution to the problem of Soviet subjugation of Eastern Europe, and if at the same time they were offered something substantial in return for their withdrawal, such as for example the withdrawal of USA and Canadian forces from Western Germany. This, however, seems hardly likely to appeal to either the Russians or the Americans at this stage, and in any case is hardly feasible if Washington is determined to approach questions such as that of the Middle East primarily on the basis of an overt struggle against Soviet aggression, and if Moscow faced with its very difficult problems in the satellites is determined not to compromise where it still holds the upper hand.

3. The difficulty with the first course is that public opinion is not likely to be aroused much longer by repeated UN resolutions which are obviously not enforceable. The West can probably better bring home to the Russians their reaction to the events in Hungary by such action as a scaling down of cultural exchanges, and so on. I think it is important that the Russians continue to be aware that they cannot embark on repressive actions in any part of the world and still gain the benefits of their policy of peaceful coexistence. But we have just about exhausted the possibilities of the UN in this connection.

4. Condemnatory, but futile resolutions, may, however, goad the Russians into taking harsher action in Hungary. The logical conclusion the Russians may eventually reach, if they are unable to establish any kind of native communist, or even semi-communist, régime in Hungary, is that they must set up an outright military government and possibly extend this to some other satellites as well. This would then be the logical time for a strong

move in the Assembly, which would be that much stronger if it were not preceded by a number of inconsequential resolutions at regular intervals which had diluted its moral effect.

5. I think we must come reluctantly to the conclusion that it would be best for the Hungarians, and for the West, if the Hungarians were to come to whatever compromise they can arrange with the Russians. If Kadar is unable to make his strictly "stalinist" — type régime work nor to secure support from non-stalinist or non-communist elements, then the Russians may have to take over with a blatantly Soviet military government which would surely be much worse for the Hungarians. The reaction this would produce in the other satellites might also necessitate an increase in the Soviet military establishment elsewhere in Eastern Europe, the net result being the bringing of Soviet troops in large numbers and in an ugly mood to the borders of the West. The increasing tension, the greater danger of incidents, and the increased difficulty in reaching a solution with the Russians of the problems of Central and Eastern Europe need hardly be underlined.

6. Although it may sound rather cynical I think we must conclude that the struggle for Hungary may well be over, at least temporarily, in which case our main political preoccupation ought to be to preserve the gains made by the Poles. This would certainly not be easy if the Russians, who can hardly be in a very confident mood right now in view of the political and economic problems they face, were to decide that relations with the Western world had degenerated to such an extent that they could take no chances inside their bloc.

7. All this may, of course, happen no matter what the Assembly does, but I am now inclined to think that unless we can hit on something effective, we would do well to avoid further action intended to score propaganda victories, although naturally some measures in the UN are going to be required. Of those suggested, the move to establish an investigative committee seems the most acceptable and most effective.

8. I recognize the political unpalatibility of these conclusions but I think, nevertheless, in spite of the positions we have to take publicly, that we should clearly analyze developments in Hungary and Eastern Europe, and try to balance the necessity of giving all possible moral support to the Hungarians against the political realities and the desirability of avoiding an outright Soviet military role in the satellites. This might in the long run lead to the final downfall of the Soviet system, but in the short run it would mean added misery for the peoples of Eastern Europe, and incalculably greater risks of war.

9. Holmes and I entirely agree with this telegram which has been prepared by Ford. I should be grateful for your comments.

[R.A.] MACKAY

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488. DEA/232-BG-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 7, 1957

Enclosed is the latest Immigration Operational Directive† dated December 21 which you may find interesting. It revises directives which hitherto have been in use in dealing with Hungarian refugees.

2. It is evident from this that there has been a radical change in our immigration procedures for Hungarian refugees. For example, more complete medical examinations are now obligatory. In Austria only, where hitherto the medical examination has been somewhat superficial, x-rays may be waived where facilities do not exist, but elsewhere complete medical examination including x-rays and vaccination where necessary are required. Furthermore until now there has been no security screening in Austria; an oral interview is now to be given. In all other countries where previously an oral interview took place, the normal complete security check will go into effect. This is not very clearly expressed in paragraph 7 of the directive and it is understood that the question of security screening is still under review.

3. Further tightening may be seen in the instruction that the Visa Office in Vienna is to deal with sponsored cases only, within the liberalized meaning of the term "sponsor", which means any relative or friend. Processing teams in the refugee camps in Austria however will deal with all applicants within the limits set by transportation but will give priority to farm workers, students and other particularly desirable applicants. In other Western European countries excluding The Netherlands, France and the United Kingdom where special arrangements have been made, the processing of Hungarian refugees is to be limited to sponsored cases. In all other countries, e.g. Yugoslavia, normal immigration procedures are to be followed and it will therefore be impossible for Hungarian refugees now in Yugoslavia to qualify for immigration to Canada unless they have close relatives here.

4. The net effect of this is to retard the flow of refugees into Canada during the winter months. Immigration officers abroad are being asked not to publicize this slowing down of the movement. We understand that the firm commitments made for the months of January and February, together with the 4,500 refugees who had arrived by December 31, will bring the total number of arrivals to 15,000 by March 1. No estimate has yet been made of arrivals in March but by the end of that month the movement of 10,000 refugees from The Netherlands, the United Kingdom and France for which special arrangements have already been completed will begin. On the completion of that movement therefore the total number of refugees who will have arrived in Canada should be in excess of 23,000.

JULES LÉGER

This makes depressing reading in the light of the 70,000 odd refugees left in Austria. I am wondering if a further effort shouldn't be made to bring more to Canada.[24]

J. LÉGER

489. DEA/8619-40

Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures

Permanent Representative to United Nations
to Secretary of State for External Affairs

TELEGRAM 58 New York, January 8, 1957

CONFIDENTIAL. IMPORTANT.

Reference: Ottawa telegram S-11 January 7.†

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[24] M. Léger a ajouté ce paragraphe à la main.
Léger added this paragraph by hand.

Repeat London, Washington, Paris, NATO Paris (Information).

HUNGARY

There has been no suggestion here that Canada would be a member of the proposed Assembly Committee. Although final agreement had not been reached the names being mentioned yesterday were Australia, Denmark, Burma, a Latin American country (Brazil, Cuba or Peru) and Tunisia. The Australian delegation has told us that Spender has instructions to seek a place on the committee and there is not likely to be any move to have both Australia and Canada on a Committee of Five.

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490. DEA/8619-40

Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies

Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly

TELEGRAM S-13 Ottawa, January 8, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Your telegrams 48,† 54,† 55† of January 7.
Repeat Washington, London, Paris, NATO Paris (Information).

HUNGARY

The Minister has agreed that you may co-sponsor the USA draft resolution.[25] Like you, we regard the resolution as providing a useful opportunity for tidying up a number of loose ends, as suggested in the Secretary-General's report of January 5. For one thing, it will presumably take the place of the Assembly observers who have not yet been sent to Austria to take evidence from refugees. For reasons given in your telegram 55, with which we are in general agreement, we would also hope that the present resolution would be the Assembly's last of the series unless the situation in Hungary changes drastically. A number of wavering delegations might be persuaded to vote for the resolution on this basis, but whether you can do any missionary work in this sense will, of course, depend on the attitude of the other co-sponsors.

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[25] Pour de plus amples renseignements sur cette résolution, voir United States, Department of State, *FRUS 1955-1957*, Volume XXV, p. 552.

For additional information on this resolution, see United States, Department of State, *FRUS 1955-1957*, Volume XXV, p. 552.

491. DEA/5475-EA-1-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 11, 1957

DISCUSSIONS WITH THE NEW UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES, MR. AUGUSTE LINDT

We had a meeting with the UNHCR last week and during the discussion Mr. Lindt mentioned the following matters which are weighing on his mind:

I. *Hungarian Refugees*

Mr. Lindt gave the figure of approximately 150,000 who have fled to Austria. (The latest figures as of January 3 which we have are 158,183 to Austria and about 2,300 to Yugoslavia.) The High Commissioner said the reason for the great surge over the Austro-Hungarian border was that the mines had been cleared from that border but not from other Hungarian borders. He also said that at the beginning of the exodus his Office roughly estimated that the majority of the first 30 to 40,000 refugees would return when conditions in Hungary became less disturbed. Then the picture changed and those coming out after the first week or so were coming out permanently. He explained this change of heart among the Hungarian refugees by saying that for years prior to the Second World War Hungary was a country of emigration; but for 16 years the normal flow of emigrants had been bottled up; the refugees wanted to start a new life in another continent. They were not interested in going to South America which had offered refuge to a small number of them because apparently they thought that South America had few opportunities for their work skills or professions. Also most of the Hungarian refugees wanted to get out of Europe.

With regard to the number of refugees, Mr. Lindt noted that anything could happen in the near future — Hungarians might continue to come out at the present rate of about 1,000 a day or, if conditions in Hungary became brutal again, there could be a quick surge of many thousands in a few days and these refugees, he said, would be mainly the "freedom fighters".

The Austrians have done a splendid job in this emergency; it has cost them at least $6,000,000 and they cannot afford such a drain on their economy. He therefore stressed the urgent need for additional financial assistance.

The High Commissioner mentioned some of his fears —

(a) The siphoning off of Hungarian refugees from Austria is slowing down considerably; there are over 70,000 of them still in Austria and they are becoming slightly restive; should there be another great flight out of Hungary, the living conditions in Austrian camps would become serious;

(b) The psychological hazard, even given no further great flight from Hungary, of this slowing down of movement out of Austria is troubling him. The United States is still processing refugees in the expectation that their allowed total will be increased; however, they can give no definite guarantee to any more since the 21,500 (their present limit) have already been chosen. Mr. Lindt was pleased that Canada has worked out the staging process which relieves to some extent the congestion in Austria. As you know, Canada has agreed to take 5,000 refugees who have been moved temporarily to the U.K., 3,000 from

France and 2,000 from the Netherlands. But all Mr. Lindt's conversation was directed towards getting us to take more Hungarian refugees out of Europe now and not wait until the spring. He was interested in learning of Mr. Michael Barkway's articles in *The Financial Post*[26] which urged Canada to bring in the refugees now, give them language training, and try to Canadianize them during the winter and have them part way ready to strike out for themselves in the spring. Mr. Lindt mentioned that Citizenship and Immigration admitted in his discussions with them that reception centres, mostly unused army barracks, were available in Canada to receive refugees this winter. It was pointed out to him that for a number of years the Government has tried to space its immigration so as to minimize the number of people arriving in the winter. It was obvious however that Mr. Lindt felt there might be a greater modification of this policy in the Hungarian emergency.

II. *Hungarian Refugees in Yugoslavia*

Of the 2,300 of these, a small number, about 126, want to come to Canada. The High Commissioner urged that we take this small group as quickly as possible. He said if we could take them there would be great political advantage to us because none of this group, up to now, was getting any offers. He mentioned that the Yugoslavs would be happy to let them come since investigations have shown that the refugees in this group may be a political embarrassment to Yugoslavia since they are anti-communists and could not easily be assimilated in Yugoslavia. Our mission in Belgrade has told us that these "forgotten" Hungarian refugees in Yugoslavia fear they will be forced back to Hungary. In a memorandum which went to you on January 7 you were advised of the recent Immigration directive, dated December 21 which tightens up the whole movement of Hungarian refugees to Canada, and in fact makes it impossible for any more to be accepted unless they have sponsors in Canada. However even before December 21 there seemed to be almost insuperable difficulties in the way of taking this small group of Hungarian refugees now in Yugoslavia.

III. *Long-term Refugees*

This problem is worrying Mr. Lindt very much. He said it was heartless the way these long-term refugees were being overlooked. There are approximately 225,000 of them in Europe and of this number 70,000 are "hard core" cases still in refugee camps. These long-term refugees now saw what was being done for the Hungarians after two or three months and resented very much the double standard being followed — the strict immigration requirements being applied to them, and the relaxed immigration regulations being applied to the Hungarians. Mr. Lindt said his Office estimated that if the relaxed regulations were applied to the long-term group 50% of them could meet the standard. On humanitarian grounds alone this should be done. He then went on to argue that the calibre of Hungarian refugees was so high that surely the receiving countries when taking the Hungarians could receive in addition about 10% of the long-term ones, that is 100 "hard core" refugees to 1,000 Hungarians. This, Mr. Lindt thought, would produce a fair cross section of population, but as things were working out now, the receiving countries were getting all first-class immigrants since the Hungarians were either university-trained or skilled workmen. Mr. Lindt was obviously very troubled by the problem of the long-term refugees and sympathized with the bitterness which is creeping over this tragic group.

I understand that you intend discussing this question of refugees with your colleague, the Minister of Citizenship and Immigration. Would you like us to follow up your conversation with a letter to the Department of Citizenship and Immigration?[27] It seems to us that there are at least three points which require some clarification and perhaps a little pressure:

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[26] Voir/See Michael Barkway, *Financial Post*, December 22, 1956, "We Expected More from You," p. 3 and Michael Barkway, December 29, 1956, "Canadian is Living on Hypocrisy," p. 23.

(a) The problem of the 126 or so Hungarians in Yugoslavia. They were there before the more stringent Citizenship and Immigration directive of December 21. The political reasons for taking this small group are quite strong.

(b) The problem of our winter slow down in receiving Hungarians. Fewer shipping facilities will be available in the spring because normal travelling is greater then. Do you think that the Hungarian emergency requires further modification of Canadian policy to hold back immigration in the winter months?

(c) Could we not take a percentage of the "hard core" refugees? You may know that a year or so ago the Department of Citizenship and Immigration revised the way in which it keeps immigration statistics and so it is impossible to find out how many of these people we admit, but we think that in the last few years we have not been of much help to the High Commissioner in solving this heavy and tragic problem.

J. L[ÉGER]

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492. DEA/12476-40

Le secrétaire d'État aux Affaires extérieures
au ministre des Finances
Secretary of State for External Affairs
to Minister of Finance

CONFIDENTIAL [Ottawa], January 11, 1957

My dear Colleague,

As you are aware, I have made a submission† to the Treasury Board concerning an item which I believe should be included in the proposed special supplementary estimate to provide funds for urgent expenditures arising from the Hungarian tragedy. My submission was for an item of $1,250,000 "for assistance for the victims of the recent tragic events in Hungary". Of this total $250,000 was proposed to meet certain expenses for relief of refugees awaiting immigration to Canada in transmit camps in the Netherlands; the main figure of $1,000,000 was to assist the various international agencies engaged in the provision of relief either within Hungary or for refugees who have not been accepted anywhere for settlement.

The figure of $250,000 was tentative, as the arrangements for the staging camps were still being worked out. I now understand that the Citizenship Branch proposes to meet a part of the costs involved, and that the figure of $250,000 in my submission can be correspondingly reduced. A letter covering this matter is going forward to the Secretary of the Treasury Board.

I am writing to you to urge the approval of the main figure of $1,000,000 for assistance through international channels. My submission to the Board explains how the scale of the tragedy and of the need for emergency relief has increased since the Government recommended the earlier vote of $1,000,000 for this purpose. I do not believe that there can be any question of the need of these various agencies for further substantial assistance, and the only real question is where it should come from.

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[27] Note marginale :/Marginal note:
Yes. L.B. P[earson]

Popular feeling about the Hungarian tragedy runs very strong in western Europe, and relief assistance from private sources in many of the countries concerned has been on a large scale. We have had a fairly recent report from Sweden, for example, that their voluntary subscription fund had reached $4,000,000 — a large amount for such a small country. The fund established by the Lord Mayor of London, which it is true received some contributions from outside the city itself, passed £500,000 a month ago. There has been a series of reports indicating a similar high level of voluntary contributions from other western European countries. It is true that governmental assistance, at least in money, has been on a lesser scale in Europe, but the fact remains that per capita contributions from all sources has for those countries been high.

In North America, in contrast, contributions from the public have been disappointing. On January 7 private subscriptions in Canada to the Red Cross Fund (which receives the contributions to the great majority of the various individual fund-raising organizations) had totalled $367,000); in addition there had been received $250,000 from the Federal Government and from the provincial governments of Alberta, Ontario and Saskatchewan the amounts of $7,000, $25,000 and $2,000 respectively. Although I have no precise figures, I understand that private contributions in the United States have been even more disappointing. This is particularly distressing in the light of North America's reputation for humanitarian generosity and for leadership in the opposition to the Communist dictatorship responsible for the Hungarian disaster. No doubt with these considerations in mind the United States Government has announced an emergency assistance programme of $20 million; of this $5 million has already been contributed in the form of cash grants to the various international agencies concerned. It has not yet been determined what form the remainder of the $20 million programme will take, but we understand it will be primarily for assistance to refugees and that officials are now, as a separate operation, considering what type of aid programme will be required for the provision of relief within Hungary.

In these circumstances I do feel that the Government should take whatever steps are necessary to ensure an adequate level of assistance from this country. Perhaps this should be done by giving a stronger lead to the public than has so far been provided, so that private contributions might be increased; I would welcome such a course. But the results of such action would not be fully effective for weeks or months; the need is urgent, and is known to the governments and peoples concerned to be so. I therefore feel strongly that for political reasons we should take action which will be effective rapidly, and it seems to me that this can be done only by announcing an adequate further contribution of money.

There is, of course, no special magic in the figure of $1,000,000. I have no particular plan for how best to divide such a sum. But in the circumstances, given our contribution of $1,000,000 earlier and the fact that the problem has not merely doubled but has increased three or fourfold since then, I do not expect that anything less would be regarded, either in Canada or abroad, as adequate.

You may consider that this matter should be discussed in Cabinet before a decision is taken by the Treasury Board. If so, I regret that I will not be present next week and would hope that my submission would be sympathetically examined in the light of the considerations I have outlined.

Yours sincerely,

L.B. PEARSON

493. DEA/12476-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès des Nations Unies

Secretary of State for External Affairs
to Permanent Representative to United Nations

TELEGRAM E-55 Ottawa, January 11, 1957

CONFIDENTIAL. IMMEDIATE.

Repeat Permis Geneva, Washington, London, Canac Paris, Paris and Vienna (Immediate) (Information).

HUNGARIAN RELIEF

1. The Treasury Board today considered a recommendation from this department that a further sum of $1,000,000 for Hungarian relief through international channels be provided in a special supplementary estimate which may shortly be submitted.

2. The Board was unable to reach a decision, considering that the recommendation was not adequately supported by figures of the assistance provided by other western countries. Accordingly the matter will be decided by Cabinet on Tuesday morning by which time we have undertaken to provide all available information on assistance from other western countries.

3. Please send in time for the meeting whatever information you can concerning assistance from western countries. We have in mind assistance both from governments and from voluntary or non-governmental contributions, since the level of non-governmental assistance from European countries has been far higher relatively than in North America, and this difference may be relevant. We recognize that time may not permit a complete report, but please send what you can.

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494. DEA/12476-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État par intérim aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Acting Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 16, 1957

HUNGARIAN RELIEF

As you may recall, the Special Session of Parliament voted $1 million as a Canadian contribution for Hungarian relief. Sometime ago one half of this sum was divided evenly between the Canadian Red Cross and the United Nations High Commissioner for Refugees on the understanding that the money would be used for relief either in Hungary or for Hungarians who had fled their country, on condition that it should be provided impartially on the basis of need and used under effective international supervision to ensure that this condition is fulfilled. (This vote was not intended to be used for the expense of transporting Hungarian refugees to Canada.) Last week the Treasury Board approved release of the remaining $500,000 to the Canadian Red Cross ($100,000) and to the United Nations High Commissioner for Refugees ($400,000).

In making available this final $500,000, we proposed that the Canadian contribution might be used most effectively if it were given to the United Nations Secretary-General who is in a better position than we, despite our careful sifting, to determine which of the deserving appeals from the Austrian Government, the Red Cross, the United Nations High Commissioner, and the Intergovernmental Committee for European Migration, for example, is most urgent at present. However, some Ministers indicated a preference for disbursing this money through the High Commissioner for Refugees since this ensured that none of the funds would be spent within Hungary itself, and this course was accepted.

It has been generally understood for some time that the sum voted as a Canadian contribution would undoubtedly have to be augmented when the complex relief problem could be more clearly appreciated, if Canada is to provide more than token support for the international co-operative effort to assist the 160,000 Hungarian refugees in their attempts to seek freedom. Thus, an item is included in the Supplementary Estimates which are to go before Parliament in the next few days to provide a further $1 million for this purpose.

This second million dollars, however, will probably be expended in a somewhat different manner. The Cabinet has agreed that the costs incurred in the Netherlands staging camp where Hungarians destined for Canada are to await their movement across the Atlantic should be met from this sum. These costs will probably amount to $250 - 300 thousand and will be administered by the Department of Immigration.

The remainder, I suggest once more, might be made available to the Secretary-General in order that maximum flexibility and control can be ensured in the utilization of Canadian relief resources. While the point may not be of enough significance to stress strongly, I do think that it would be most feasible for us to contribute through the Secretary-General and, if it is considered desirable, to make our assistance conditional as we see fit. Thus, if it is not considered appropriate to permit further assistance to be given to the citizens of Hungary who are still within their own country, this stipulation can be made although I do not think that such an arrangement need be made unless the Ministers suggest it should.

I would recommend therefore that we should seek the agreement of the other Departments concerned to the release of the $1 million to be requested of Parliament in the next few days as follows:

(a) to provide for the expenditures of the Department of Immigration for the staging camps in the Netherlands (on the understanding that this will require about $250 - 300 thousand)

(b) to place the remainder at the disposition of the Secretary-General of the United Nations so that the most efficient use may be made of the funds in meeting such urgent requirements as he is aware of (with the understanding, if it is so desired, that a stipulation be made preventing any expenditure of these funds in Hungary, and requesting *some* assistance be given to the Austrian Government if any explicit recommendation to this effect is felt necessary).

I enclose letters to the Minister of Finance and the Minister of Immigration, which you might sign if you agree. In these letters, I have provided additional details they have requested regarding the extent of assistance provided by other Western countries. I have concluded by indicating the nature of the problem faced by the Austrian authorities, and by recommending as in this memorandum, that Canadian aid can most usefully be distributed through the Secretary-General of the United Nations.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Le secrétaire d'État par intérim aux Affaires extérieures
au ministre de la Citoyenneté et de l'Immigration
et au ministre des Finances

Acting Secretary of State for External Affairs
to Minister of Citizenship and Immigration
and Minister of Finance

CONFIDENTIAL Ottawa, January 16, 1957

My dear Colleague:

As you will recall it was agreed with the Secretary of State for External Affairs before he left for New York that an item for $1 million be placed in the forthcoming supplementary estimates for 1956-57 to be presented to Parliament within the next few days. It was agreed further that before any expenditure from this sum would be permitted that agreement would be sought among the three Departments concerned on the most feasible method of allocating this money to the various international agencies and governments who are concerned with the problem of Hungarian relief.

You will recall also that in discussing earlier the disposition of the remaining $500,000 from the vote made during the Special Session of Parliament the Department of External Affairs agreed to conduct a further assessment of the manner in which other Western nations are continuing to assist in the very great task which must be faced and solved by international co-operation if the more than 160,000 Hungarians who have left their country are to be cared for satisfactorily. To this end I am reporting on a few of the more recent comments we have had on the extent to which other friendly nations have committed themselves.

You may be especially interested to learn of the latest aid provided by the United States. The initial government authorization of $20 million has been allocated among the various organizations which are operating in this international task. This sum has been supplemented of course by money provided previously for such schemes as the United States Escapes Programme, which assists refugees fleeing satellite nations, and the International Committee for European Migration which has received a special grant within recent weeks. The Department of Defence is expected to spend a total of $12 million before its "Operation Safehaven" is completed, which is destined to move 15,000 refugees to the United States. To this public assistance must be added private contributions which now have reached about $10 million; thus the total assistance provided by the United States will probably exceed $42 million (by far) in addition to funds previously destined for relief work. The final cost to the United States has not yet been suggested and authorities predict that expenditures on relief will continue for some time.

From Western Europe, several comments have been received in the past few days which show this assistance for Hungarian refugees in this part of the world continues to be forthcoming. In France about $6 million has thus far been set aside for Hungarian relief. Most of this money is intended for use outside the country and much of it has been collected privately. In Norway some $3.5 million has been collected, most of it in private donations. The Danish Red Cross reported $1 million for relief by the beginning of December and at the same time Finland had provided about $.75 million. In Sweden voluntary contributions reached about $2.5 million by mid-December. In most of these areas government contributions have not compared with private collections largely because the governments concerned have devoted substantial and often incalculable amounts for the financing of internal reception arrangements for refugees.

The situation in Austria is at the other extreme, of course, since the amounts expended internally far exceed requirements abroad. By the end of December, we have been informed by the Austrian authorities, relief expenditures had reached $8 million and these had been offset by external grants only to the extent of $1 million. Since than the United States has provided an additional $2 million. Moreover, the serious situation which exists can hardly be expected to improve in the coming months if large numbers of the refugees remain in Austria. The latest available figures place the number of Hungarians in Austria at 70,000. This number is increasing by about 600 - 800 a day. Almost no refugees are leaving Austria now, although 90,000 have thus far been relocated in other countries. During the current year if 80,000 refugees are to be cared for in Austria the Austrian government has estimated that some $130 million would be required. Of this amount $96 million would be used in the construction of lodging facilities. It is apparent, therefore, that the Austrian government, if it is to provide even a minimum amount of assistance, will continue to require large expenditures for those refugees remaining within Austrian borders for even a short time.

In addition to the initial problem of providing assistance for Hungarian relief, the Austrian authorities and the Secretary-General of the United Nations have both indicated that the aid provided must be as flexible as possible. Previous contributions specifically made for care of orphans or for immigration assistance to particular nations and commodity gifts have been useful but not necessarily of maximum value. It would seem that in addition to an increased volume of assistance, there is a need for greater co-ordination of relief so that a comprehensive programme can be carried out.

Therefore, I would recommend that we might arrange for the $1 million to be requested of Parliament to be disbursed as follows:

(a) to meet the expenses of the Department of Immigration for clothing, medical expenses and language training of refugees in the staging camps in the Netherlands, which it is estimated will reach about $250 - 300 thousand.

(b) the remainder to be placed at the disposal of the Secretary-General of the United Nations, within whatever specific terms we may wish to prescribe, in order to make the most effective Canadian contribution possible.

Yours sincerely,

PAUL MARTIN

495. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], January 17, 1957

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare
  and Acting Secretary of State for External Affairs (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald)
  (for morning meeting only),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Registrar of the Cabinet (Mr. Halliday),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

MAIN ESTIMATES, 1957-58; FURTHER SUPPLEMENTARY ESTIMATES (2) 1956-57; HUNGARIAN RELIEF

(PREVIOUS REFERENCE JAN. 14)

30. *The Minister of Finance* submitted the main estimates for 1957-58 and further supplementary estimates (2) for 1956-57. The main estimates totalled $4,827,600,056, an increase of approximately $171 million over 1956-57.

The supplementaries contained items for freight assistance on western feed grains ($2 million), transportation and other assistance for Hungarian refugees coming to Canada ($9 million), further Hungarian relief ($1 million), grants to municipalities ($2,024,000), grants to universities ($7,986,000), immigration medical services ($225,000), construction of a P.E.I. ferry ($600,000), veterans hospital at Deer Lodge ($435,000), and a loan to finance the clearing of the Suez Canal ($1 million), a total of $24,270,000.

In the matter of further Hungarian relief, the Minister recalled that, at the previous meeting, it had been decided to include the item subject to revision when further information was available. What information had now been received was not too satisfactory. It appeared that the Austrian government estimated that it would cost about $130 million to look after the refugees in that country for one year, of which some $96 million would be capital outlay for new buildings and rehabilitation of existing barracks and camps and about $35 million for maintenance of refugees. The situation seemed complex and unorganized as yet. He felt $96 million on buildings was a large amount to spend when this refugee movement would likely be over in a year. It also seemed that disposal of the original $1 million, less some $200,000 needed for refugees in Holland, would be left with the

Secretary General of the United Nations. It had been originally considered that the relief amounts were to be handled by the High Commissioner for Refugees in Austria. This way there would be some kind of sensible relationship of Canadian contributions to other ones. It did not seem desirable to embark on a programme which could perpetuate the relief situation in Austria and Canada's contribution should be in bringing refugees to Canada. Total contemplated Canadian expenditures in assisting Hungarians, amounting to some $15 million, seemed far out of proportion to what, for instance, the United States was doing.

31. *Mr. Martin, as Acting Secretary of State for External Affairs*, reported that it had now been ascertained that U.S. expenditures on aid to Hungarians were about $42 million. Other approximate figures were — France $6 million, Norway $3.5 million, Denmark $1 million, Finland $0.75 million, and Sweden $2.5 million. Some of these were private contributions. Up to the end of December, expenditures for relief in Austria had been $8 million. A large number of refugees, some 70,000 were still in that country and were being added to at the rate of 600-700 a day. If 80,000 were to be looked after, the suggested total of $130 million might well be required. Large expenditures would undoubtedly be needed but there was still little precise information.

32. *During the discussion* it was suggested that it would be better to wait for a time to see how matters would turn out. If necessary, provision could be made for more assistance in the further supplementary estimates in March; meanwhile, costs of assisting refugees coming to Canada could come out of the special Immigration Branch votes, including the amount that had been planned for assistance to those in Holland and included in the relief figure.

33. *The Cabinet* approved the main estimates for 1957-58, as submitted by the Minister of Finance and the further supplementary estimates (2) for 1956-57, after deletion of an item of $1 million (vote 540) for Hungarian relief, and agreed that the Governor General be asked to recommend them to the House of Commons, in accordance with the provisions of the British North America Act.

IMMIGRATION; HUNGARIAN REFUGEES
(PREVIOUS REFERENCE DEC. 19, 1956)

34. *The Minister of Citizenship and Immigration* recalled that no commitment had been made to bring to Canada Hungarian refugees from Austria during March. It was now considered that it would be relatively easy to handle a further 2,000 during that month and these could be taken in just as soon as their papers were processed and transportation found. It seemed desirable to keep the "refugee pipeline" full. After April, those in Canada would soon be absorbed in the country. It was desirable not to keep the refugees together any longer than necessary.

35. *The Cabinet* noted the report of the Minister of Citizenship and Immigration and agreed that a further 2,000 Hungarian refugees from Austria be admitted to Canada during March.

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496. DEA/887-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council

TELEGRAM S-35 Ottawa, January 18, 1957

SECRET. IMMEDIATE.
Reference: Your telegram 78 January 16.†
Repeat London, Washington, Candel New York, Paris (Information).
By Bag Rome, Bonn, Moscow, Prague, Warsaw, Vienna, Belgrade.

WESTERN ECONOMIC AID TO HUNGARY

We were interested to learn that the French and Italian governments have been approached about the possibility of providing economic aid to Hungary. This confirms press and radio reports that the Kadar régime is faced with a desperate economic situation and is willing to accept economic assistance from the West.

2. While for humanitarian reasons it is necessary that food and clothing be provided through the International Red Cross or United Nations agencies to alleviate hunger and cold among the Hungarian people, it would seem reasonable to insist that representatives of such relief organizations should have freedom to exercise some control over the distribution of supplies. Anything beyond belief, it seems to us, must be considered in the light of East-West strategy and our own commercial interests.

3. According to a report in the Swiss economic daily *Neue Zuricher Zeitung* the Hungarian national rising reduced the Budapest government's planned production for 1956 by one-quarter, or 10 billion of florints in terms of national income. Physical destruction and displacement of people is leading during the current year to an acute shortage of labour in the mines and agriculture and to serious unemployment in the cities. Other reports indicate that the five year plans in all the satellites and in the Soviet Union have been seriously affected by the developments in Hungary and Poland and that the cost of destalinization to date for the USSR may be close to 2 billion dollars apart from considerations of prestige and defence. We can see little political advantage now in making concessions to ease this situation at its most acute point, in Hungary, particularly if by extending loans or credit we bolster a Moscow-imposed régime that the Hungarian people and workers' councils have so far refused to accept.

4. Against these political considerations must be weighed the commercial interests of western countries. When the uprising began, Canada, for example, was on the point of concluding a trade agreement with Hungary providing for the sale of 300,000 tons of wheat over a period of three years and was willing to extend one year's credit for at least the first year's purchase. The agreement was never signed in view of public opinion here and abroad. Moreover, the credit position of the Hungarian government is shaky and the Hungarian Minister of Agriculture admitted on November 27 that the Hungarian government was not in a position to honour trade agreements concluded with foreign countries.

5. On balance therefore we are inclined to share the USA view that there should be no truck or trade with the Kadar régime except for relief measures through the International Red Cross or the United Nations. Should economic or other pressures force some degree of

liberalization in Hungary, we would have to reassess this attitude. The French rationalization about aiding the satellites to achieve greater economic independence of the Soviet Union would, in our opinion, apply in the case of Poland but is hardly applicable to the puppet régime in Budapest at present, though we must recognize that if the Kadar régime breaks down completely the Red Army might have to run the country directly.

6. You will by now have received Candel's telegram 228 of January 17† giving a confidential report of de Seynes impressions of the Kadar government and of the economic crisis which Hungary is facing. Although you will not be able to use this private account in the Council, de Seynes noted that the Kadar régime was regarded with contempt, that power and coal supplies are barely brought to keep one or two basic industries going, and that food stocks would be exhausted by May, leading to an extremely serious situation. You will also have been Candel's telegram 251 of January 18† summarizing the official public report of de Seynes and of the experts who accompanied him.[28] While the findings of the UN team may perhaps provide a more acceptable framework either for aid or trade, the basic political difficulty remains that of having to deal with the Kadar régime. So far as may be possible, we would prefer arrangements or any western aid to be made with Kadar's administration through Red Cross and UN channels, but if big program is developed this might prove impossible. In any case further consideration will need to be given both at the UN and by individual governments to the general policy of aid to Hungary and to the methods of distribution, should more relief be extended. In the meantime, we think it well worthwhile to have a further exchange of views in the Council.

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497. DEA/12476-40

Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies

Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly

TELEGRAM E-87 Ottawa, January 21, 1957

CONFIDENTIAL. IMPORTANT.

Reference: Your telegram 261 January 19.†

For the Minister, Begins: Canadian Contribution for Hungarian Relief

Cabinet deleted from the supplementary estimates the further item for Hungarian relief. This decision was apparently based upon a feeling that an unduly high proportion of the proposed expenditure by Austria was of a capital rather than a current nature.

2. Expenditures in connection with the staging camp in the Netherlands to be used for prospective immigrants will now be financed from the supplementary vote which Citizenship and Immigration is seeking for transporting these immigrants to Canada.

3. In view of this rejection I would think we should attempt to achieve the maximum effect from the funds already made available by arranging formally or informally that one half or more of the four hundred thousand dollars which Treasury Board agreed last week

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[28] Pour le rapport public de Seynes, voir Nations Unies, Assemblée générale, *Documents officiels de l'Assemblée générale, onzième session, Annexes*, 12 novembre 1956 - 8 mars 1957, 1956-1957, pp. 46 à 53.
For de Seynes' public report, see United Nations, General Assembly, *Official Records of the General Assembly, Eleventh Session, Annexes*, 12 November 1956 - 8 March 1957, 1956-1957, pp. 45-51.

would be given the High Commissioner for Refugees should be passed on to the Austrian government for its relief work. For this reason we ascertained from the delegation this morning that such a rider would be proper and acceptable when our grant to the High Commissioner is made.

4. As for the question of a further vote, in the event that you may consider it advisable on your return to recommend additional relief assistance, we are continuing to collate available information on the need and the extent to which it is being met in Hungary, in Austria and beyond. To this end we are asking the delegation today to request from the [Secretary-General] an appraisal insofar as is possible of what will be required in the coming months.

498. DEA/12476-40

Le sous-secrétaire d'État aux Affaires extérieures
au sous-ministre de la Citoyenneté et de l'Immigration

Under-Secretary of State for External Affairs
to Deputy Minister of Citizenship and Immigration

CONFIDENTIAL Ottawa, January 25, 1957

Dear Colonel Fortier:

HUNGARIAN REFUGEES IN YUGOSLAVIA

Just before Mr. Pearson returned to New York last week for meetings of the eleventh session of the United Nations General Assembly, he asked me to take up with your Department three questions concerning refugees in Europe. Perhaps the most important matter requiring attention at the moment is that of Hungarian refugees in Yugoslavia; the other two questions — the winter slow-down of movement of Hungarian refugees out of Austria to Canada, and the problem of long-term refugees in Europe — will be dealt with in a subsequent letter.[29]

The latest word we have received concerning Hungarian refugees in Yugoslavia indicates that, with more and more refugees crossing the Hungarian-Yugoslav border, the total in Yugoslavia has now reached 8,000 and is rapidly growing. Of this number, it seems likely that a few hundred may wish to come to Canada, for the last definite figure we had was 126, when the total influx was less than 3,000.

I am sure that your Department will already have under review the desirability of arranging for the admission of a sizable proportion of these refugees from Yugoslavia and will appreciate the advantages of avoiding the criticism that Canada is discriminating against refugees who fled from Hungary to Yugoslavia rather than to Austria, by requiring them to have close relatives in Canada as sponsors before they will be considered for admission. However, there is, in addition, a strong case on grounds of international policy for taking action to admit Hungarian refugees now in Yugoslavia.

You will, no doubt, have seen telegrams 133† and 134† of January 22 on this subject from the High Commissioner in London. These two telegrams have already been referred to you, but I attach copies for convenient reference. In these telegrams Mr. Robertson submits further information derived from the United Kingdom Ambassador in Belgrade and suggests that our present policy towards Hungarian refugees in Yugoslavia might be reconsidered in the light of the marked change in attitude shown by the Yugoslav Government.

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[29] Non retrouvée./Not located.

At the present time, in contrast with what is happening on the Austrian frontier, there appears to be little interference with the movement of Hungarian refugees across the Yugoslav border and the knowledge that this escape route is open to them may have an important bearing on the continued resistance to the Kadar Government of many Hungarians now actively dissident. If, however, Canada and other Western countries withhold their cooperation in facilitating the movement of refugees from Yugoslavia, it may become necessary for Tito to close the frontier against any further influx. This, in turn, may have an important impact not only upon events within Hungary but also upon relations between Yugoslavia and Hungary and may have the effect of upsetting the delicate balance which Tito, under increasing pressure, is attempting to maintain, and of drawing him closer to the Kadar régime, who will, no doubt, continue to press Tito for the return of Hungarian refugees.

In view of these important considerations, I should be grateful if our present policy with respect to Hungarian refugees in Yugoslavia could be re-examined and if the possibility could be reviewed of applying to the Hungarians in Yugoslavia the same criteria, and also the same opportunities for free passage, as are now being extended to Hungarian refugees in Austria. If a meeting would be helpful to discuss these matters as well as any other problems concerning the movement of refugees from Europe, I know that officials of this Department would be very pleased to attend such a meeting.

Yours sincerely,
J. LÉGER

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499. DEA/12476-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès des Nations Unies

Secretary of State for External Affairs
to Permanent Representative to United Nations

TELEGRAM E-131 Ottawa, January 28, 1957

CONFIDENTIAL. IMPORTANT.
Repeat Geneva (Important).
Repeat Washington, Paris, NATO Paris, London (Information).
By Bag Berlin, Brussels, Belgrade, Bonn, Hague, Rome from London.

HUNGARIAN RELIEF

Allocation of the second half of the one million dollars voted by Parliament in December for Hungarian relief has now been decided upon. One hundred thousand dollars will be given the Canadian Red Cross for its international relief activities and the remaining four hundred thousand dollars is to be made available to the UN High Commissioner for Refugees, the chief co-ordinator for international assistance as designated by the UN Secretary-General. In making this sum available to the High Commissioner we are also requesting that two hundred and fifty thousand dollars of it be earmarked for the Austrian government for the relief of the many thousands of refugees who are not provided for by the International Red Cross under the terms of its agreement with the UN whereby the Red Cross acts as the operating agency of the UN. In this way it is intended that Canadian assistance will be open to all; and by disbursing the one hundred thousand through the Canadian Red Cross provision is also being made for relief activities outside the scope of those which the UN has undertaken — especially aid to prospective Canadian immigrants, for example, and others who do not qualify for UN sponsored aid. (This of course is not to be taken as a reflection upon the work which the High Commissioner's office is engaged in; on the contrary, our confidence in the capacity of his office for co-ordinating the various national contributions towards Hungarian relief is demonstrated in our allocation of the entire Canadian contribution of one million dollars apart from the three hundred and fifty thousand dollars given to our own Red Cross. Our purpose is simply to ensure that our assistance is spread as widely as possible.)

2. Consideration is now being given to a further stipulation that fifty thousand dollars of remaining one hundred and fifty thousand dollars for High Commissioner be given to ICEM and for the moment it is planned that the High Commissioner shall have for use at his own discretion only one hundred thousand dollars. A decision will be taken on the remaining fifty thousand dollars within the next few days.

3. Please notify without delay on an informal basis the High Commissioner or his office of our decision so that there will be no danger of his learning of our actions from the press. You should emphasize that in allotting the sum mentioned for the use of the Austrian government and in considering a further stipulation with respect to the ICEM our intention is not to interfere unduly with his freedom of action but rather is to ensure that some help is directed towards the wide spread needs which are not now covered by the UN-IRC agreement and which have been brought to our attention by the Austrian authorities, other international agencies and by the High Commissioner himself.

4. Apart from notifying the appropriate UN people we would not wish mention of our contribution to be made publicly prior to a press release which will be issued here on Thursday at eleven am.[30] This course is subject to the minister's concurrence although the time will remain approximately the same in any event. Any change will be sent to you by immediate telegram.

5. The cheque for the High Commissioner for four hundred thousand dollars will be forwarded Tuesday January 29 according to present plans.

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[30] Pour le texte du communiqué, voir Canada, Ministère des Affaires extérieures, *Affaires Extérieures*, vol. 9, N° 2, février 1957, p. 81.
For the text of the press release, see Canada Department of External Affairs, *External Affairs*, Vol. 9, No. 2, February 1957, p. 81.

500. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], January 31, 1957

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare
and Acting Secretary of State for External Affairs (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald)
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Registrar of the Cabinet (Mr. Halliday).

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IMMIGRATION; HUNGARIAN REFUGEES; ARRANGEMENTS WITH PROVINCES; JEWISH REFUGEES FROM EGYPT
(PREVIOUS REFERENCE DEC. 5, 1956)

54. *The Minister of Citizenship and Immigration* said that the Minister of Planning and Development for Ontario [Nickle] would be in Ottawa to-morrow to discuss an agreement with the province on care of Hungarian refugees.

Ontario had been offered much the same terms as the agreement made with Saskatchewan but had come back with unacceptable proposals. In addition to asking the Federal government to pay $3 a day for each refugee during the time in reception centres, Ontario expected payment for the capital cost of these centres. This was quite out of the question. The Federal government would also, as with Saskatchewan, pay Ontario the cost of providing immediate clothing needs. The Saskatchewan agreement also required that the Federal government pay full costs of medical treatment of indigent Hungarian immigrants during the first year in Canada, provided that the province would assume such costs after that year.

The Minister suggested that the best way to break the "jam" was to say that Ontario could either have an agreement such as that with Saskatchewan or rely on the existing agreement for landed immigrants; that was a fifty-fifty share of costs in respect of immigrants, but with the Federal government bearing the full cost of treatment for those not legally landed.

As regards the other provinces, Nova Scotia would probably accept on the same basis as Saskatchewan but Manitoba had raised the question of paying for persons who had not been landed. Quebec did not wish to deal with the Federal government but proposed to go ahead on its own. The Minister had supplied a provincial committee with the terms of the Saskatchewan agreement and, in effect, refugees in Quebec would get everything they got elsewhere. A good job was being done and some $100,000 had been made available. An excellent agreement had been negotiated with Newfoundland, but it was unlikely that many refugees would go there.

55. *Mr. Pickersgill* raised the question of Jews leaving Egypt. The Canadian policy in respect of such persons had been quite severe and no applications were processed in Egypt. Emigrants had to get first into other countries, excluding Italy, and were required to go through all the formalities, such as medical examinations and security checks. He thought a more liberal policy might be taken in making arrangements for dealing directly in Egypt with those Jews who had relatives in Canada who had been landed two years or more, and were well established. To do this, it would be necessary to send to Egypt, temporarily, a small team of an immigration officer and a doctor. Any such immigrant approved would, of course, be expected to pay his own way to Canada. Probably some 400 persons might be involved.

56. *During the discussion* the following points emerged:

(a) There would only be a few Hungarian immigrants who were not landed. They would be persons not thoroughly examined or even unable to satisfy requirements, who had been accepted under the same system adopted in the emergency by the United Kingdom and France.

(b) Without a special agreement, Canada would have to take care of those not landed who required treatment. It was argued that section 48 of the Immigration Act dealing with medical treatment applied to the Federal government just as to any transportation company.

57. *The Cabinet* noted the report of the Minister of Citizenship and Immigration and approved,

(a) the proposed line to be taken with representatives of the Ontario government on an agreement with that province on the care of Hungarian refugees; and,

(b) the temporary stationing in Egypt of an examining team to deal with relatives of persons of Jewish origin resident in Canada for two years or more, who wished to emigrate to Canada at their own expense.

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501. DEA/8619-40

Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies

Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly

TELEGRAM S-56 Ottawa, February 1, 1957

CONFIDENTIAL. IMPORTANT.

Reference: Your telegrams 55 of January 7 and 364 of January 26.†
Repeat Washington, London, Paris, NATO Paris (Information).

HUNGARY

In our view, the special committee on Hungary should place primary emphasis on ascertaining what happened in Hungary and how it happened, holding up the documented record beside the principles of the Charter and the terms of the resolutions passed by the Assembly.

2. To serve this purpose, the committee ought to ensure that its report provides effective answers to the following obvious questions: (a) Has the present régime a legal mandate or has it been imposed by Soviet force? (b) What was the nature of the Soviet intervention and under what conditions did it take place? (c) Have arrests, deportations and executions been carried out without due process of law and in disregard of human rights?

3. We agree that the substance of a report along these lines is bound to be damaging to the USSR, but consider that this should not be permitted to divert the committee from the discharge of its responsibilities.

4. In the light of this, there seem to be two problems. First, should the aims of the committee be related only to the simple condemnation of the USSR, or should its work be exploited as part of a grander design? Second, how far should it go by publicity, etc., to heighten the condemnation which the facts alone will convey?

5. Although it may still be too soon to attempt to draw up a detailed policy regarding Hungary and the satellites as a whole, there seems to be general agreement that the West should encourage a gradual drift away from Soviet dominance. This drift must spring from national Hungarian initiatives. The committee may help to serve this end.

6. The low standard of living, as well as the lack of fundamental freedom, have, we think, been basic causes of the trouble in Eastern Europe, including Hungary. A refugee movement of such dimensions cannot however be explained solely by the desire for freedom in the abstract. It may be that one of the avenues of approach by which to encourage the drift will prove to be through economic channels. It would follow that the committee should ensure that its findings are not confined to the course and circumstances of Soviet intervention, but should ensure that its reports paint a concise but telling picture of the economic lot of the individual on the eve of the trouble. For this purpose, it has abundant human source material available. Thus the facts themselves will not only condemn the USSR, but will document the legitimacy of the Hungarian rising. Moreover, they put the case for the other satellites, at a time when at least some of them show signs of wanting more trade with the West rather than with the USSR and the Middle East, will help to explode the myth of the communist economic solution for a classically underdeveloped area ("Green Europe"), will say explicitly what the flight of over 200,000 refugees implies, and will be of no little interest to the Afro-Asian countries who tend to overlook the violations of human rights behind the curtain and may be tempted to take similar short cuts to industrialization.

7. As to the second question, the USSR has made it clear that it does not wish a resumption of the cold war, despite Suez and the Sino-Soviet reply to the Eisenhower doctrine.[31] It cannot simply put the clock back on the October 30 declaration, for the Soviet Union faces a persistent and similar problem at home. Already, Soviet military posture in Hungary suggests that Moscow expects to be able to ride out the storm in a long-term occupation and not to have to impose direct military rule. Should it do so, the Assembly can always take strong action, as you have suggested.

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[31] Pour une note sur la Doctrine d'Eisenhower, voir volume 22, document 208, note 173.
For a note on the Eisenhower Doctrine, see Volume 22, Document 208, footnote 173.

8. We therefore think that the hearings should be conducted in public, if only to prevent the USSR from discrediting evidence taken in camera. It would be unfortunate if the committee were to allow a desire to obtain the widest possible measure of agreement to lead to emasculation of its report and to direct its hearing accordingly. Although we believe that by confining itself to facts the committee should be able to present a succinct report we would hope that these facts could be fully documented in annexes and that in any event if the committee found itself too strongly divided to produce an acceptable common statement, it should be prepared to present either majority and minority reports or an agreed report followed by supplementary submissions.

9. The use to which the report should be put will depend on its conclusions and the circumstances at the time of its release. We agree that further condemnatory resolutions in the meantime are likely to be futile and inadvisable, unless there is a sudden change in the picture.

10. All reports indicate that the struggle is not yet over in Hungary. The régime is held in contempt even by its employees and passive resistance continues. It would seem that both the Kadar régime and the USSR are counting on the winter and the depletion of food stocks to bring the population to heel. It would follow that we should expect no compromise before the spring. Only such a compromise will make it easy for many members of the UN to move beyond relief. It might be useful if the committee took this possibility into account as regards the timing and substance of its reports.

11. These suggestions imply, within the broader terms of reference of the committee which are inherent in the circumstances of its creation, the adoption of a few precise but connected objectives: documentary justification for the condemnation of the USSR, the exposure of the myth of the Soviet socialist solution for Eastern Europe, the holding of Hungary, which has rebelled against that solution, in the limelight, a show of moral support for the valour of the Hungarians, and the encouragement of continued resistance by a demonstration that in the eyes of the UN a compromise is not only possible but inevitable, with a hint to all concerned that a compromise will make it easier for the West to move beyond relief to consider re-habilitation for Hungary. We realize, however, that we can only attempt to influence the committee's programme through our close friends on the committee.

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502. DEA/12476-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], February 4, 1957

CANADIAN RELIEF FOR HUNGARY

In telegram 152† of January 30 our Delegation to NATO reports on a further Council Session at which the problem of Western aid to Hungary was considered. You may recall in earlier telegrams (CANAC telegram 123† and Paris telegram 86† of January 25) it was reported that the French were pressing proposals which would provide for some measure of rehabilitation as well as relief for Hungary. Copies of these telegrams are attached for your reference. Since it appears probable that this question will be under continued consideration in the next few weeks I thought you might wish to consider a few of the points at issue, in the light of our own position, and perhaps to advise us of your views.

We have been giving some consideration in our own Department to the problem of Hungarian relief and to our trade relations with Hungary. We have not yet had time to work out a detailed policy on Hungary and the satellites. It may be that we must shortly recognize in current trends in eastern Europe an important opportunity for the west, and that to exploit these concretely western countries may later on have to consider an increase in trade with this region, including Hungary (although in Canada's case, we would not expect much trade to develop with Hungary whatever the circumstances). Meanwhile, and thus far, we have adopted the attitude that there is no political advantage to be gained from dealing with a régime which is not acceptable to the people of Hungary. The limited creditworthiness of the present Hungarian government has reinforced this attitude.

The French proposals would provide for:

(a) Free deliveries of coal, wheat, barley, etc.,

(b) Re-establishment of normal commercial relations with Hungary by NATO Members in so far as the individual interests of each are served by such relations.

If it is likely to become necessary or desirable to modify our stand, it may be wise to explore now the probable alternatives which are before us. We have examined the de Seynes report (together with the request the FAO made of us for feedstuffs in conjunction with this report) in an effort to determine what the effect of a Canadian contribution of relief supplies to Hungary would be, because at this stage we do not think that the conclusion of an agreement to sell wheat on credit would be understood either in Canada or abroad. However, the de Seynes report goes considerably farther than suggesting relief measures alone as aid to Hungary in the coming months. The three fields for activity it sets forth are:

(a) The resumption of agricultural production to satisfactory levels,

(b) The encouragement of deliveries of commodities from the farms, and

(c) The import of foods and other requirements.

In our opinion, category (a) would seem to be an advanced form of rehabilitation which would assist the Kadar régime. Category (b) practically involves political action since it is the communist system to which the farmers are objecting; we see no reason to give the régime support in crushing farm opposition.[32] It is only in the third category that we see a possibility for true relief assistance since the commodities requested will to a great extent be used to supply urgent needs mainly in urban centres where critical shortages exist and where external assistance can best be justified on humanitarian grounds.

At the present time, however, we do not have funds available for additional relief. The million dollars voted by Parliament has now been allocated and is being used primarily for aid to refugees. While it is true the Treasury Board directive does not prevent the use in Hungary of the funds given the Red Cross, it is naturally at the discretion of the Society whether or not they wish to do so. You may wish to give some thought therefore to whether we should consider a recommendation for aid of this type both in a positive spirit of responding to the United Nations request and also as a practicable alternative to the sale of wheat on credit. Under present circumstances such assistance might well take the form of a Canadian gift of surplus agricultural products. While we have not explored this possibility with other Departments (except that the FAO request was passed to the Departments of Trade and Commerce and Agriculture for any action which they might wish to take and no reply or comments have yet been received). There would seem to be several distinct advantages in such assistance if a further contribution is to be made. After examining de Seynes' report and taking into account those political facts which come immediately to mind, we would suggest that Canadian flour might be the most appropriate form for such a gift to take since the distribution in Hungary would be much easier and less subject to political obstruction, since the timing of Hungarian requirements would more easily permit a gift of flour than most others, since its source would be more likely to be known than in the case of most other products, and since such aid would contribute much to relief of distress but would do little rehabilitate the Kadar régime.

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[32] Note marginale :/Marginal note:
No [L.B. Pearson]

While the latest telegram from the NATO Delegation shows that the difference of opinion between the French and other representatives is less pronounced than had earlier seemed the case, there may be some continued pressure for a more liberal attitude towards Hungary. There are of course additional considerations which we will continue to examine and report to you if it seems advisable; in the meantime you may wish to give some thought to the problem of Canadian relief for Hungary and to advise us whether a contribution along the lines described should be investigated.

J. L[ÉGER]

I don't think we should take any lead at this time in providing any type of assistance to Hungary.[33] This problem is complicated by the heavy financial burden of the Government in the field of immigration.[34]

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503. DEA/12476-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council

TELEGRAM E-229 Ottawa, February 12, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Our S-35, January 18, Canac telegram 202, February 6,† Candel New York Telegram 514, February 8,† and others.

Repeat Candel New York (Immediate), Permis Geneva, Washington, Paris, London (Important).

By Bag Vienna, Belgrade, Moscow, Warsaw, Prague, Bonn, Brussels, Hague, Berne, Oslo, Stockholm, Copenhagen, Rome.

RELIEF FOR HUNGARY

The question of relief for Hungary has been considered at some length and the conclusion reached that no further action on the part of the Canadian government is warranted at this time. This decision has been influenced both by the extent of government assistance for Hungarians, mainly refugees, already provided — over $10 million to which must be added several million in private funds — and by the number of refugees being accepted by Canada, probably a total of thirty thousand by mid-year. Another consideration is the nature of the problem in Hungary itself, where rehabilitation seems more critical than relief, thus making the issue political as well as economic.

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[33] Note marginale :/Marginal note:
Nor do I! L.B. P[earson]

[34] Léger a ajouté ce paragraphe à la main./Léger added this paragraph by hand.

2. Thus far, as indicated in our S-35 of January 18, we have taken the stand that, for humanitarian reasons, food, clothing and medicines should be provided through the facilities of the International Committee of the Red Cross provided some control over local distribution is retained. Both the original $250,000 and the $100,000 just given the Canadian Red Cross Society have been made available for use of the Society in the refugee work and in its *International Relief Programme*; thus a share of this $350,000 of the Canadian vote of $1,000,000 of last December could find its way into Hungary. However, what proportion, in fact, the Red Cross has considered it just to spend inside Hungary we do not know.

3. Beyond such relief, we did not consider it advisable to go. The de Seynes' report, together with the FAO report which forms part one of the former, have been examined as has the ICRC report which portray the extent of assistance which Hungary is said to require. Along with these reports we have received formal or informal requests for Canadian contributions. These are now to be rejected for the time being at least, for the reasons outlined in paragraph 1. As anything beyond traditional relief is bound to assist in some measure in rehabilitating the Kadar régime, we have examined with extreme care suggestions for contributions of agricultural feedstuffs and fertilizers. The dangers inherent together with the extent of aid already rendered dictate against any further assistance now.

4. As far as normal commercial relations are concerned, we have not been asked recently to reconsider the proposed Hungarian trade agreement. Given the existing state of the economy, the Hungarians are hardly likely to be able to meet its terms, nor would we be likely to consider signature at this time even if these economic difficulties did not prevail.

For CANAC — We agree with the action proposed in the Council and reported in your telegram under reference whereby information will be collated from members with representation in Budapest. Our decision to take no action now is consistent with the view in (b) of paragraph (3) requesting members to refrain from assisting Hungary until such consultation takes place. Our previous information in telegram S-35 of January 18 continues to describe the state of our commercial relations with Hungary and there is nothing further for you to report to the Council.

For Candel New York — In view of our attitude towards this problem, there is little value, in our view, for Michel and Meyer of the ICRC to visit Ottawa. Their memorandum which you forwarded has been examined as have all other requests for aid and will be kept in mind should our position be changed. With respect to your telegram 438 of January 31† and the informal approach made to you by de Seynes' staff, we presume no formal communication is expected of us. If you consider it advisable and the occasion presents itself you may wish to intimate that we do not expect to take any action in the near future. The suggestion in your telegram 514 of February 8† that a contribution of Canadian flour or wheat might be made to Hungary was one which had previously been considered and brought to the attention of the minister last week. At that time, however, it was considered inadvisable to pursue the matter for the reasons noted previously. Therefore, if you believe there are any new and compelling arguments favouring such a proposal you might wish to mention these to the minister and to report to us any reaction favouring a further investigation of such a gift. However, we should point out that if any item is to be added to the supplementary estimates, and such a gift would require an addition, immediate action must take place as supplementary estimates are being closed probably today.

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504. DCI/555-54-565-9

Le sous-ministre par intérim de la Citoyenneté et de l'Immigration au sous-secrétaire d'État aux Affaires extérieures

Acting Deputy Minister of Citizenship and Immigration to Under-Secretary of State for External Affairs

Ottawa, February 12, 1957

Dear Mr. Léger:

In Colonel Fortier's absence I am replying to your letter of January 25, 1957, in which you suggest a re-examination of our policy with respect to Hungarian refugees in Yugoslavia.

The considerations regarding these refugees as outlined in your letter are appreciated. However, Mr. Pickersgill believes that any action should be in co-operation with other Western countries, rather than on our own, in an attempt to provide the same facilities in Yugoslavia as we have done in Austria. He does not feel that in the circumstances he should take the initiative, but rather that it should come from your Department. In his opinion Canada should not act unilaterally in this situation although he would consider some form of joint action with other Western countries, particularly if the United Kingdom and the United States of America took part.

We are endeavouring to find some means of simplifying the processing of sponsored cases which would help to alleviate the situation in Yugoslavia.

Yours sincerely,

C.E.S. SMITH

505. **PCO**

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], March 21, 1957

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
Secretary of State for External Affairs (Mr. Pearson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald)
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Registrar of the Cabinet (Mr. Halliday).

. . .

IMMIGRATION; ADMISSION OF HUNGARIAN REFUGEES FROM YUGOSLAVIA AND AND ITALY; IMMIGRATION FROM POLAND

29. *The Secretary of State for External Affairs* pointed out that the problem of Hungarian refugees in Austria was diminishing as the flow into that country had practically ceased and the outflow was continuing. However, with the closing of the Austrian border by the present Russian supported Hungarian government, thousands of refugees were entering Yugoslavia where there was now a total of 18,000. This had led to a serious situation and the Yugoslav government did not understand why western countries were taking more than 120,000 refugees from Austria while doing little for those in Yugoslavia. Only a few of the refugees wished to remain in that country.

Several western countries were now prepared to accept some of these people and the United States was considering the admission of 1,000. The Canadian Embassy in Belgrade had been informed that over 2,000 Hungarians wished to come to Canada, and it had been suggested that up to 1,000 might be admitted.

The Minister felt this would be a useful action to take. The Yugoslav government was standing up vigorously to the U.S.S.R., and this example had a strong influence on the present Polish government and on other satellite governments. There would be important subsidiary benefits in admitting these refugees.

30. *The Minister of Citizenship and Immigration* pointed out that there would be careful selection of any Hungarian refugees that were in Yugoslavia. Probably a better type could thus be obtained. This selection would be on the basis of those who had expressed a desire

to come to Canada, with a priority for those who were financially sponsored by friends or relations in Canada and for agricultural and mine workers. They would also have to satisfy the usual health requirements for immigrants.

An explanatory memorandum had been circulated.

(Joint memorandum, Minister of Citizenship and Immigration and Secretary of State for External Affairs, undated — Cab. Doc. 61 57)†

31. *Mr. Pickersgill* said there were two other immigration problems on which he would like the views of Cabinet. One had to do with Hungarian refugees in Italy and the other with persons of the Jewish faith in Poland who wished to emigrate to Canada.

There were some 4,000 Hungarian refugees now camped in various summer resorts in Northern Italy and the owners wanted the places vacated. The government of Italy was prepared to pay the passage to Canada of 1,500 persons on a selective basis. The proposal would be similar to an ordinary immigration movement and would be advantageous to Canada in increasing the number of Hungarians here who had been picked in accordance with the regular immigration criteria. The same selection team could be used for both the 1,000 refugees in Yugoslavia and the 1,500 in Italy. It would not involve any persons arriving before May or June, and he would propose to make no announcement about it.

In the case of the Polish Jews, strong representations had been made to him to take in more of them by increasing the admissible classes. It appeared that it was now the deliberate policy of the Polish government to allow any Jews to leave who could. He had said he could not consider doing anything for Jews alone, but thought it might be possible to extend the permissible categories to include brothers or sisters of Canadian citizens if they were satisfactorily sponsored financially and were recommended by the Canadian Polish Congress, the Canadian Jewish Congress or the Ukrainian-Canadian Committee, all of whom were strongly anti-communist. These persons would pay their own passage and there would be less than 500 altogether. He would propose to make no announcement.

32. *During the discussion* the following points emerged:

(a) The admission of Hungarian refugees from Yugoslavia would actually make little difference to the numbers entering Canada, as there was only so much transport available. The refugee problem in Austria was being substantially eased and it was understood that the United States were taking some 200 a day without any publicity or controversy, though this seemed to be of doubtful legality.

(b) It might be difficult to justify taking Hungarian refugees from Yugoslavia when Yugoslavs themselves were not able to get into Canada. Against this, it was pointed out that there was no reason why bona fide Yugoslav emigrants could not come in; the difficulty was that exit permits were made available generally only to communists. Canada did take Yugoslavs under 18 and over 60 where there were immediate Canadian relatives, and the main problem was with nephews and nieces.

(c) The admission of Hungarian refugees into Canada was working out far better than had been expected. There had been some concern expressed in labour circles and there had been a few troublemakers among the immigrants.

(d) Austria had indicated quietly that, if there proved to be some troublemakers among the Hungarian refugees from Austria they could be returned to Hungary via that country.

(d) There had always been anti-Jewish feeling in Poland and the government there appeared to be trying to overcome this by getting rid of as many as possible of the Jewish population. Some 100,000 were going to Israel. There seemed to be real fear in the minds of the government of an anti-Jewish pogrom.

33. *The Cabinet* noted the reports of the Secretary of State for External Affairs and the Minister of Citizenship and Immigration on Hungarian refugee problems and Polish Jews and agreed,

(a) that 1,000 Hungarian refugees in Yugoslavia be admitted into Canada; the persons to be selected from refugees who have expressed a desire to come to Canada, with a preference for those who were sponsored by friends or relatives here, and for agricultural or mine workers. All of whom must satisfy the usual health requirement for immigrants;

(b) that up to 1,500 Hungarian refugees in Italy be admitted to Canada; the persons to meet the usual immigration criteria and their passage to be provided by the Italian government; and,

(c) that the permissible categories be extended to allow the entry of residents of Poland who are the children or the brothers or sisters of Canadian citizens, together with their immediate families if any, if they were satisfactorily sponsored financially, and were recommended by the Canadian Polish Congress, the Canadian Jewish Congress or the Ukrainian-Canadian Committee;

it being understood that these additional immigration arrangements would be given no undue publicity.

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506. DEA/8619-40

Le représentant permanent auprès des Nations Unies
au sous-secrétaire d'État aux Affaires extérieures

Permanent Representative to United Nations
to Under-Secretary of State for External Affairs

LETTER NO. 101 New York, April 2, 1957

CONFIDENTIAL

HUNGARIAN QUESTION — ITEM 67: ELEVENTH GENERAL ASSEMBLY

With this letter I am enclosing a memorandum which was prepared early in March by Mr. Ford before his departure for Colombia. You are no doubt aware that he was concerned with the Hungarian question when it was being considered at the eleventh session of the General Assembly. Mr. Ford has given his impressions of the Assembly exercise. While I do not entirely agree with the conclusions in the memorandum, I suggest that it might be useful to add these views to others which were expressed by the Delegation from time to time.

2. At the same time I am enclosing a copy of Document A/3573† of April 1 which contains a note verbale dated March 26, 1957 from the Permanent Representative of Hungary to the Secretary-General concerning the report of the Credentials Committee (Document A/3536 together with Resolution 484 of February 21, 1957). The Hungarian note complains because the Assembly "has, up till now, not reached a positive decision on the credentials of the Hungarian Delegation...".

R.A. MACKAY

Comment.

I have doubts like Dr. MacKay's. It seemed to me that the great majority of the Asians and Africans, after some hesitation, reacted quite strongly against Soviet action and that they were deeply affected by the debate. One result was that the Soviet position was considerably weakened during the rest of the Assembly. An important reason for Arab and Asian hesitation on this issue was the realization that the French and British were deliberately trying to divert attention from Egypt to Hungary — a tactic the latter admitted privately.

J.W. H[OLMES]

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

CONFIDENTIAL

HUNGARY

I have reported from time to time on the developments during the past four months with regard to Hungary at the United Nations. In this brief memorandum I should like simply to record a few impressions and comments on the virtual failure of the United Nations to accomplish anything very concrete.

2. On March 6 a meeting was held under the chairmanship of Mr. Lodge to discuss the possibility of introducing another resolution on Hungary at the end of the Assembly. Most of those present, including ourselves, supported the initiative but with marked lack of enthusiasm, and outside the meeting soundings of other delegations revealed even greater reluctance to become involved in another debate on Hungary. The Irish representative said quite frankly that it would be a kind of "danse macabre" over the corpse of Hungary. The Italian said that we should not confess publicly our failure in the Hungarian question, and Sir Leslie Munro compared it to a Maori "tangi" or wake. Only Mr. Lodge protested that the United Nations had not failed completely. As he said, we had not accomplished our primary aim of driving the Russians out of Hungary, but at any rate we had focussed the attention of the world on their iniquities, and we had established a Committee of Investigation which was functioning efficiently and with remarkable unanimity.

3. Nevertheless I think we must agree that the action of the United Nations on Hungary was largely a failure, even if one concedes that it was never likely to achieve its primary aim of forcing the withdrawal of the Russians. Certainly United Nations action on Hungary stands in very sorry contrast with that taken in the Suez crisis. The one lesson which might profitably have been learned by the Arab-Asian group concerning the nature of the Soviet system has been obstinately refused. Though there are no doubt exceptions, I find it difficult to believe, however, that the majority of the Arab-Asian officials and ordinary people have seriously changed their minds about the USSR as a result of Hungary. The efforts of the United Nations may possibly have helped in some way, but I am not convinced of it.

4. Nor has the concomitant been accepted either by the Arab-Asian group, or by the Western nations, except in a rather academic way — that is, that for all practical purposes the USSR will not accept decisions of the United Nations when its own vital interests are involved. Equally we are unable to draw the necessary conclusion which in theory might have to be drawn. Indeed, it is doubtful that anyone seriously wishes to draw this conclusion, because, first, it is not necessarily in our interests to force the USSR out of the United

Nations into isolation, and, second, because almost a third of the present members would be most reluctant to side with the West on such an issue.

5. The question therefore arises: should the United Nations have set its sights lower and attempted some more limited aim? It is difficult to see how we could have acted any differently in view of the passions aroused by Soviet actions last October and November without admitting the impotence of the United Nations from the beginning. The debate served one purpose, however, and that was to focus the attention of the world on Hungary, and to serve as some kind of brake on Soviet repressive acts. The UN probably never had any real chance of doing more than this, of acting, for example, as a mediator between the Russians and Hungarians, and of moderating the demands of each side. Similarly United Nations actions in condemning the USSR could hardly have altered Soviet aims and methods in Hungary. In other words most of what the United Nations did was irrelevant to the basic fact that the USSR was determined to re-establish its dominant power in Hungary and was in a position to do so irrespective of what the outside world did, barring an act of war. The only thing which might have altered this would have been a unanimous Arab-Asian reaction against the USSR and even this would not necessarily have prevented the Russians from their course of action.

6. In the circumstances, therefore, the establishment of the Special Committee on Hungary was probably the only action the United Nations could take to assert its authority, to keep the issue alive, and to try objectively to present a definitive report on the actual events. Its work so far, and its interim report, are unspectacular but satisfactory. It seems likely that the final report will be a sombre and pretty convincing indictment of the Soviet Union.[35] But, basing myself on the reception of the interim report, it seems probable that it will have very little effect on world opinion.

7. As regards the question of the Hungarian Delegation to the United Nations, we were faced with the dilemma of accepting the credentials of a delegation of a government completely unacceptable to the vast majority of the Hungarian people, or having to deal solely with the Russians over Hungary. In the end the Hungarians themselves solved the question by voluntarily absenting themselves from the work of the Assembly.

8. To sum up, I must repeat my conviction that Hungary was the major failure of this Assembly. It failed to liberate Hungary, and it failed basically to change the Arab-Asian attitude towards the Soviet system, or Soviet colonialism. The first was due at least in part to a refusal to accept the basic premise that the United Nations is not yet in a position to force decisions on the USSR without going to war. The second is more serious because it was within the possibilities of the United Nations. The only mitigating factor in absolving it of this guilt is that the Anglo-French-Israeli attack on Egypt obscured what otherwise would have been easier to present as a clear-cut case of Soviet colonialism. But this must remain speculation, and I do not think we should exaggerate it. The fact that we did fail is a factor of far-reaching importance. It means that the anti-Western colonial bias is still great enough to prevent the Arab-Asian countries from seeing through the rosy haze in which they regard the USSR. But I also think it means that, subconsciously or not, the Afro-Asians are not prepared to take a high, moral line with a country which is in a posi-

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[35] Voir Nations Unies, Assemblée générale, *Rapport du Comité spécial pour la question de Hongrie*, Documents officiels: onzième session, Supplément N° 189 (A/3592).
See United Nations, General Assembly, *Report of the Special Committee on the Problem of Hungary*, Official Records: Eleventh Session, Supplement No. 18 (A/3592).

tion to hurt them. This line can be reserved for the "decadent" colonial powers of Western Europe.[36]

R.A.D. FORD

2e Partie/PART 2

VISITES OFFICIELLES
OFFICIAL VISITS

507. L.B.P./Vol. 31

Note du secrétaire d'État aux Affaires extérieures pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Secretary of State for External Affairs to Under-Secretary of State for External Affairs

[Ottawa], January 9, 1956

Mr. W.B. George, Past-President of the Canadian Amateur Hockey Association, came to see me this afternoon. I was anxious to talk with him about the forthcoming Olympic ice hockey matches at which Canada will, of course, be represented by the Kitchener-Waterloo team.

I told him that I hoped the Government would be able to keep out of international sport, and that it was far from our intention in this Department to do anything to lessen that hope. However, and unfortunately, certain international sporting competitions have become as political as they were sporting, and questions of prestige were often more important than the game itself. This presented a problem for Canada as well as for other countries, especially in the field of ice hockey where we were supposed to be supreme. That problem, as the World Hockey Championships in Germany last year showed, has been accentuated by the participation of communist teams. Therefore, Government intervention was sometimes inevitable when difficulties occurred, as we learned particularly from our experience in Stockholm two years ago. Also, especially as our team would be travelling behind the iron curtain, our missions abroad could be of some assistance to them. It was assistance and not interference that was in our minds. If, however, we were going to be of any help, we would have to know the itinerary of the team and their plans. Mr. George said that he had previously asked that information on this score should be sent to us, but I told him we had not received it.

It appears that the team is leaving by plane on Saturday and will be in Prague next Wednesday. I told him that if we were to be of any help — and help and advice might certainly be required in Prague — we would have to get the necessary information at once. He said he would try to secure this.

Mr. George seemed to agree entirely with my view that international sport has now become too closely connected with international politics. He also agreed that it was of first importance that any Canadian hockey team abroad should be a credit to Canada, both off and on the ice, and he had high hopes for the present Canadian Olympic team in this regard. He himself wondered whether it was worth while sending Canadian hockey teams abroad, where conditions are so different than they are at home and where difficulties and misunderstandings occurred. These, he said, were not due so much to the players as to the press representatives who accompany them and to the hangers-on. He instanced their experiences in Germany last winter to support this contention, where the search seemed to be not so much for news as for headlines, especially those which indicated conflict not only between teams, but between nations.

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[36] Pour un point de vue plus positif de l'onzième assemblée générale des Nations Unies, voir volume 22, document 366.
For a more positive view of the UN's 11th General Assembly, see Volume 22, Document 366.

The World Hockey Championships next year will be in Moscow, and I gave Mr. George my own opinion that it would be difficult to avoid participation now that Canada had taken the championship from Russia in Germany. I hoped that the Canadian team next year would be of outstanding ability, would win the championship convincingly, would show the Russians what we could do, both on and off the ice, and then that serious consideration would be given to the desirability of withdrawing from such competitions in the future.

L.B. PEARSON

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508. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 30-56 Ottawa, February 3, 1956

SECRET

EXCHANGE OF VISITS AND INFORMATION BETWEEN CANADA AND THE SOVIET UNION

This memorandum draws attention to, and makes certain recommendations concerning the various problems posed by the increasing number of scientific, technical and cultural exchanges, both of visits and of information, between Canada and the Soviet Union.

Soviet Policy and Practice on Exchanges

2. Messrs. Bulganin and Khrushchev revealed at the meeting of Heads of State last July that the Soviet Union had decided to widen its range of contacts with Western countries considerably beyond the narrow diplomatic channel which had been sufficient for its purposes during the cold war period. This development was at first misunderstood by some people in the West, and false hopes were raised that the iron curtain was to be dismantled. What we have learned in the last few months, as recently as February 14 when Khrushchev spoke in Moscow, has enabled us to see Soviet policy and practice in better perspective.

3. This clearer understanding of Soviet tactics has a bearing, of course, on policy regarding exchanges. A list† of exchanges initiated between Canada and the Soviet Union since July 1, 1955, is attached. Our experience of these exchanges (and we understand that the experience of other Western countries has been the same) has established the three important points covered in the following paragraphs.

4. First, exchanges of visits proposed by the Soviets are in fields in which Canada may well be technically ahead of the Soviet Union (i.e. agriculture, lumber and energetics) and in which therefore the Soviet Union might have more to learn from Canada than Canada

would have from the U.S.S.R. Proposals have also been made for exchanges of artists and athletes, and it should be noted that in this case the Soviet Union may be expected to outclass Canada and so gain a propaganda advantage.

5. Second, Soviet citizens visiting Canada come only in organized delegations carefully supervised by the Soviet Embassy, and information exchanged by correspondence and subsequent reports on any visits are controlled by censorship at the Soviet end.

6. Third, the Soviet Embassy has been proposing exchanges through many different channels. Our Embassy in Moscow is required to deal with the Foreign Ministry on every subject. Here in Canada, however, the Soviet Embassy has been proposing exchanges of visits or of information to several Government agencies and private organizations, and persons across the country. This practice has certainly been adopted in order to achieve better results from the Soviet point of view. Arrangements for specific exchanges are often accepted by Canadian officials or others who are unaware of the picture as a whole. It must be recognized, of course, that any effort we might make to oblige Mr. Chuvahin to work through any one agency on these matters would be handicapped by the fact that it would not always be easy to impose effective sanctions if he did not choose to cooperate.

7. It is quite evident that the balance of advantage in exchanges so far has been heavily in favour of the Soviet Union, which has taken and kept the initiative, and coordinated its effort better all along.

Value of Exchanges for Canada

8. The Canadian reaction, both official and unofficial, has been to welcome any genuine improvement of the atmosphere which might be created by increased exchanges, or indeed by any other method. In particular, exchanges are seen to offer the following possible advantages to Canada.

(a) Increased contacts may help to remove the Soviet misconception that Canada is a member of an aggressive Western alliance which intends to attack the Soviet Union in due course. They may thus contribute to a slow improvement in East-West relations if continued long enough. They also help to put new ideas into the heads of people who in general have been kept in complete ignorance of the outside world for several decades. If continued long enough this may have a cumulative effect in the Soviet Union out of all proportion to the number of individuals affected;

(b) In those scientific and technical fields in which the Soviet Union is ahead of us, Canadian research and industry obviously stand to gain by suitable exchanges;

(c) We also stand to gain from an intelligence point of view in almost every field, because Soviet knowledge of Canada so greatly exceeds our knowledge of the Soviet Union;

(d) As far as visits to Canada are concerned, while we may not be able to convert from Communism the sort of people selected to come here, we can at least show them our country, have them meet our people, and explain to them our policies in ways that must improve their understanding of Canada and what freedom means. This may have some effect on others when they return.

9. Many of the disadvantages of exchanges from the Canadian point of view stem from the fact that we have so far left the initiative in Soviet hands. This situation could largely be corrected by a careful and well-coordinated planning on our part. One danger which can never be removed, however, and which should therefore never be forgotten arises from the unchanging Soviet predilection for subversion and espionage. An international atmosphere of détente, and the closer personal contacts which it involves, will encourage the growth of

a new generation of fellow-travellers and "respectable" Communists. They, by their influence and under-cover activity, may reduce Canadian support for NATO to a dangerous degree, and induce our people to believe, without genuine evidence to the contrary, that the Soviet Union has changed its basic aims and methods.

10. As regards the danger of espionage, Soviet visitors may be used to select persons and intelligence targets for subsequent exploitation by the Russian Intelligence Service. These risks, however, can be kept within bounds if the Canadian public is made aware of them, and if our internal security service is given sufficient resources to carry out its task.

11. Although the Soviet Union has so far benefitted more from exchanges than has Canada, it seems possible to make, if we so desire, these exchanges quite as profitable for us as for them, and perhaps even more so. But, if so, we must make our own arrangements and not allow things to develop without control by us. Such arrangements as we now have are described below, and certain suggestions made for improving them. The only alternative to working out suitable procedures would be to turn down every Soviet suggestion for wider contracts. This, however, would mean the erection of a Canadian iron curtain, and the full resumption of cold war tactics on our side which, I assume, is unacceptable.

Canadian Policy and Arrangements Concerning Exchanges

12. Thus far in this memorandum the term "exchanges" has covered the exchange both of visits and of information. Canadian policy regarding the exchanges of unclassified information with the Soviet Union and the Soviet satellite countries has been satisfactorily settled for some time now. Briefly, this policy lays down that unclassified information may be given only when some useful return can be anticipated, that the decision in each case is a departmental or agency responsibility, and that reports should be submitted twice a year to the Secretary of the Security Panel summarizing the information sent. If private organizations in Canada request advice on this subject, they are also requested to seek reciprocity as much as possible.

13. The exchange of visits poses far more difficult problems, on which our policy is still evolving. Our experience to date has established the continuing importance of the following points:

(a) The exchange of visits between Canada and the Soviet Union can be useful and should up to a certain point be approved;

(b) As in the case of the exchange of information, the exchange of visits should be reciprocal;

(c) It is not sufficient for us merely to reciprocate visits proposed by the Soviet Government. We must take the initiative ourselves in fields of special interest to us, in order, among other things, to forestall undesirable initiatives from them.

(d) Canadian effort in connection with the exchange of visits, whether governmental or non-governmental, should be co-ordinated by the Department of External Affairs with due regard to all the political aspects involved;

(e) Each visit proposed from either side should be referred by the Department of External Affairs, as early as possible in the planning stage, to the Security Panel and the Joint Intelligence Committee for examination of its security and intelligence aspects;

(f) The minimum security requirements in connection with Soviet visits to Canada are the following: visas should be denied if the invitations have been issued by Canadian Communists or Communist-front organizations; the frequency and nature of visits should be related to the available resources of our security service; Soviet delegations should be restricted in size; Canadian conducting officers should be attached to the delegations in certain cases; and security briefing should be given to the institutions being visited;

(g) The minimum security and intelligence requirements when Canadians visit the Soviet Union are that a security briefing be given beforehand and an intelligence debriefing be arranged afterwards in certain cases.

14. A Visits Panel to coordinate Canadian interests in this field has been operating for four months within the Department of External Affairs. It is now apparent, however, that both its constitution and its terms of reference are too narrow to enable it to handle the problems with which it has to deal.

Recommendations

15. In view of the foregoing, the Secretary of State for External Affairs submits the following recommendations to Cabinet:

(a) That the policies outlined in paragraph 12 and 13 above be confirmed as Canadian policy in the matter of the exchange of information and of visits respectively between Canada and the countries of the Soviet bloc.

(b) That this policy should be announced to Parliament, or to the Committee on External Affairs, in suitable terms, which should cover the points mentioned in sub-paragraphs (a), (b), (c) and (d) of paragraph 13, and also the fact that visas will be denied to visitors who are sponsored by Canadian Communists or Communist-front organizations;

(c) That an Interdepartmental Panel on the Exchange of Visits with the Soviet Bloc be set up to implement this policy;

(d) That the Panel be responsible to Cabinet through the Secretary of State for External Affairs;

(e) That the Chairman of the Panel be the Under-Secretary of State for External Affairs; that its permanent members include the Secretary of the Cabinet as Chairman of the Security Panel, and the Commissioner of the R.C.M. Police; that the Chairman of the Joint Intelligence Committee attend its meetings; that Deputy Ministers and Heads of Agencies attend when visits of interest to them are discussed; that the foregoing officials may be represented by senior members of their staffs; and that the Secretary by provided by the Department of External Affairs;

(f) That its terms of reference be as follows:

(i) Establish liaison with appropriate Government departments and agencies, including the Government Hospitality Committee, in order to ensure that the Department of External Affairs is kept informed as far in advance as possible of forthcoming official visits in either direction between Canada and the Soviet bloc countries and, as appropriate, to advise on and assist with arrangements;

(ii) Deal with such unofficial organizations and persons as advise the Government of forthcoming unofficial visits in either direction and, as appropriate, to advise on and assist with arrangements;

(iii) Ensure that the Security Panel and the Joint Intelligence Committee are informed of such visits and consult with these bodies as necessary on the security and intelligence aspects;

(iv) Consult with the Chairman of the Government Hospitality Committee in order to ensure that the political, security, intelligence and information aspects of official visits to Canada from the U.S.S.R. and its European allies are borne in mind;

(v) Initiate proposals for official or unofficial visits to and from Soviet bloc countries if and when such visits would serve Canadian interests;

(vi) Keep under continuous review the subject of exchange of visits with Soviet bloc countries, including the problem of financing certain visits in whole or in part if Canadian interests would be served thereby, and prepare appropriate recommendations from time to time; and

(vii) In consultation with the Security Panel, consider the exchange of unclassified information with the Soviet bloc insofar as this is related to the exchange of visits.

(g) That the Soviet Ambassador be told that he should always take up directly with the Department of External Affairs in the first instance any proposals he may wish to make concerning official exchanges of information and visits, and that he should keep that Department informed of his activities concerning unofficial exchanges.

L.B. PEARSON

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509. DEA/12230-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Union soviétique

Secretary of State for External Affairs
to Ambassador in Soviet Union

DESPATCH DS-133 Ottawa, March 29, 1956

SECRET

EXCHANGE OF VISITS AND INFORMATION BETWEEN CANADA AND THE SOVIET UNION

The Department has given considerable attention to this subject in recent months. The purpose of this despatch is to inform you of our plans for placing the exchange of visits with Soviet bloc countries on a more equitable basis, and to ask you to make appropriate representations to the Soviet Government.

2. Attached is a copy of a memorandum to Cabinet dated February 3, 1956. You will find that it outlines our recent experience on visit exchanges, describes the policy we have elaborated on the basis of this experience, and concludes by recommending that our policy be confirmed and certain interdepartmental arrangements made to implement it. Cabinet considered this memorandum on February 23 and agreed:

(a) that the policy outlined be approved, but that no announcement about it be made;

(b) that an Interdepartmental Panel on the Exchange of Visits with the Soviet Bloc, with the terms of reference proposed, be established to assist in implementing this policy;

(c) that the panel be responsible to the Cabinet through the Secretary of State for External Affairs and be constituted as he had recommended, with the addition of the Deputy Minister of Citizenship and Immigration;

(d) that the Soviet Ambassador be informed that he should always take up directly with the Department of External Affairs, in the first instance, any proposals concerning official exchanges, and that he should keep the department informed of his activities concerning unofficial exchanges.[37]

3. Our major recommendation to Cabinet was that an Interdepartmental Panel on the Exchange of Visits with the Soviet Bloc, chaired by the Under-Secretary, be created to coordinate government policy in this field. The composition of the Panel is described in paragraph 15(e) of our memorandum to Cabinet (which added the Deputy Minister of Citizenship and Immigration to its permanent membership), and its terms of reference in paragraph 15(f). It is proposed to call the Panel together as soon as possible.

4. At its first meeting the Panel will have to begin by settling procedure for the handling and approval of visits in both directions. It is hoped that we can develop some fairly flexible arrangements whereby the Panel can meet quickly and often, if necessary, to consider specific visits and to help the Departments most concerned build up a fund of knowledge about the special problems posed by Iron Curtain visits. We therefore mean to suggest that each member of the Panel appoint a fairly senior member of his staff as the "visits officer" for his particular department or agency. It will then be up to the Secretary, who will be provided by this Department, and who will be in effect our visits officer, to coordinate the Government's day to day activities in this field in consultation with the visits officers of the other departments concerned.

5. Another matter for discussion at the Panel's first meeting will be the definition of what constitutes an official visit for the purposes of the Panel's agenda. We shall suggest that visits should be considered as official, from the Canadian point of view, if Canadian Ministers or officials make or receive them, even if Canadian private citizens are also involved.

6. The R.C.M. Police are anxious that the Panel should discuss the visit to Canada of Soviet-bloc trade representatives. These people are now beginning to apply for visas in larger numbers in the hope of being allowed to travel freely across the country in order to drum up trade. There is a security risk in this situation, to which the Panel's attention might well be drawn. We hope that the Panel will develop into a forum where the security aspects of visits can be balanced against the other aspects, and firm policies decided upon for the guidance of departmental visits officers.

7. The Panel will also want to examine the financial problem involved by visit exchanges. The Soviet practice of paying the expenses of visiting delegations, and their expectation of reciprocal hospitality abroad, must be examined in the light of Cabinet's preference (which was not actually reflected in its decisions on our memorandum) that we should insist on paying the expenses of our officials abroad.

8. The Panel will conclude its first meeting by considering the visits programme for 1956. To the extent that certain visits have already been decided, the actual arrangements will be discussed. Proposals not yet finally decided will be examined, and the Panel will begin, we hope, to consider the very important question of what visits, in order of priority, we should propose in our own interests. This discussion would be held with a view to preparing specific recommendations to Cabinet, looking ahead a year or so.

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[37] Après avoir examiné ce mémoire, le Cabinet a également convenu « that the requirements of the Special Branch of the R.C.M. Police be reviewed in the light of changing attitudes toward Russia and increased contacts between Russians and Canadians. » Voir Conclusions du Cabinet, 23 février 1956, Dossiers du BCP.

After considering this memorandum, Cabinet also agreed "that the requirements of the Special Branch of the R.C.M. Police be reviewed in the light of changing attitudes toward Russia and increased contacts between Russians and Canadians." See Cabinet Conclusions, February 23, 1956, PCO Records.

9. It is our intention to continue the Department's Committee on Visits to coordinate the Department's views in general, and to define its attitude towards particular visits. The Chairman of the Committee will normally be Mr. Macdonnell or, failing him, the Head of European Division. European Division will also supply the Secretary of the Interdepartmental Panel.

10. Now that our policy on visits has been approved by Cabinet, and the first steps are being taken to set up the machinery to implement it, we must obviously broach the subject with the Soviet Government. Attached is an aide-mémoire which I should like you to present to the Soviet Ministry of Foreign Affairs as soon as possible. You will see that it sets out the limits within which we are prepared to co-operate in arranging exchanges, and indicates our agreement to two major Soviet visits to Canada this year: a timber delegation and a fisheries delegation. No mention is made of the Soviet proposal for an exchange of energetics delegations, because this is to be discussed by the Interdepartmental Panel at its first meeting. For your own information, the Department is not prepared to recommend to the Panel that this particular exchange take place, at least this year.

11. At the time you present the aide-mémoire, I should like you to make the following points orally:

(a) in ordinary circumstances the Canadian Government does not intend to issue visas to visitors invited to Canada by Communist-dominated organizations;

(b) we are not yet ready to answer the Soviet suggestion regarding an exchange of energetics delegations, but our decision will be taken shortly and will be communicated to the Soviet Government at the same time as the proposals mentioned in paragraph 3 of the aide-mémoire.

I should like to emphasize that the first of these two points is as much the Government's policy as anything covered in the aide-mémoire itself. The only reason that we prefer to have you mention it orally is that it would not look well in what we intend to be a rather friendly communication. However, we do not expect that the Soviet Government will be in the least disturbed by what you say on this point, as they will presumably consider it as something for us to settle as we wish.

12. I should like to be advised by telegram of the date you propose to present the aide-mémoire, as we intend to call the Soviet Ambassador into the Department at the same time, or shortly thereafter, to give him a copy of it. At that time the same oral comments will be made to Mr. Chuvahin, and his attention drawn particularly to paragraphs 5 and 6.

13. Copies of this despatch are being sent to our Legations in Warsaw and Prague. It is intended that in due course the Interdepartmental Panel will also cope with visit exchanges with Poland and Czechoslovakia, but we are not prepared as yet to open discussions with the governments of those countries. For the time being, we wish to concentrate on the major problem raised by exchanges with the Soviet Union. Our Chargés d'Affaires in Warsaw and Prague should therefore regard this despatch as being sent to them for their information only at this time. Copies are also being referred to London and Washington and to our NATO Delegation. These posts may convey the information it contains to the Foreign Office, the State Department and the NATO Council respectively, at their discretion. In due course we shall address further despatches to these three posts, elaborating on any specific points which we wish them to take up.

JULES LÉGER
for Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Aide-mémoire

Ottawa, March 28, 1956

The Canadian Government has received in recent months a number of proposals from the Soviet Government for exchanges of visits between Canada and the Union of Soviet Socialist Republics. It has also noted with interest the various proposals made by the Soviet Ambassador in Ottawa to private groups and individuals in Canada for such exchanges. The Canadian Government welcomes exchanges of visits between the U.S.S.R. and Canada which contribute to greater mutual understanding between the two governments and peoples. It is prepared to assist in the development of such exchanges and would like to suggest certain conditions and criteria which, in the Canadian view, will contribute to better relations between our two countries. The purpose of this aide-mémoire is to outline these conditions and criteria, which may be further elaborated in the light of experience.

The Canadian Government considers that exchanges of visits should be based on the principle of reciprocity, and that there should not be a marked imbalance of visits in either direction. It will be for each Government to suggest to the other what visits it would like to take place. This principle of reciprocity need not be confined rigidly to an exchange of visits in a particular field; each Government should be prepared in certain circumstances to consider, for example, a visit in one field as matched by a return visit in quite a different one. This flexible approach should enable both countries to derive the maximum benefit from the exchange of visits.

So far as official Soviet visits to Canada are concerned, the Canadian Government would find it difficult to receive more than a limited number of groups from the U.S.S.R. in the course of a year. In 1956, for example, it would be preferable if major visits could be confined to those of a Soviet timber delegation and a Soviet fisheries delegation. The Canadian Government would not, of course, consider sending more than a roughly equivalent number of Canadian delegations to the U.S.S.R. under official Canadian Government sponsorship. In this connection, the Canadian Ambassador in Moscow will shortly make some suggestions to the Soviet Government for visits in the current year. Proposals for other more limited exchanges in both directions, particularly where some preliminary arrangements have already been made, can be considered separately.

In general, it is the opinion of the Canadian Government that it will be easier to make suitable arrangements if visiting delegations are small in size. The size of the delegations should be agreed in accordance with the preference of the host government. In accordance with normal Canadian practice, the Canadian Government would prefer to pay the expenses of any of its officials visiting the U.S.S.R.

In order to ensure the most effective handling of the exchange of visits between Canada and the U.S.S.R., the Soviet Ambassador in Ottawa is requested to take up directly with the Department of External Affairs in the first instance any proposals concerning official exchanges.

Apart from Soviet visits to Canada at the invitation of the Canadian Government, there remain visits to Canada proposed by Soviet representatives to private groups in Canada. In such cases, the Soviet Ambassador is requested to inform the Department of External Affairs concurrently of proposals for such visits.

510. DEA/12230-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Union soviétique

Secretary of State for External Affairs
to Ambassador in Soviet Union

TELEGRAM S-98 Ottawa, May 2, 1956

SECRET. IMPORTANT.
Reference: Our Despatch DS-133.
Repeat Canac Paris (For information of Minister)

EXCHANGE OF VISITS

1. Please present aide-mémoire of March 28 on exchange of visits to the Soviet Foreign Ministry omitting paragraph 3, sentence 4: "In this connection ... current year". As you know, a delegation of Canadian lumbermen will be going to the Soviet Union this year and we currently have no other major visit to suggest.

2. Point (a) paragraph 11 of despatch under reference has already been explained to Soviet Embassy here, but in view of its importance you should repeat it orally to Foreign Ministry. You might, if pressed for explanations, give the refusal of visas to the Soviet women as an example, stating that we have no objection to the women, only to the organization which invited them, and that we consider that Soviet Canadian relations would not repeat not be improved by a visit under the auspices of a group not representative of Canada and the views of which are generally unacceptable to most Canadians.[38]

3. In place of point (b) please inform the Ministry that Canada will not be able to accept a Soviet energetics delegation in 1956, but might reconsider this for next year; you should give the Ministry no reason to hope that this visit will necessarily be permitted in 1957. You should add that Canada wishes to encourage the exchange of meteorological information, and will shortly make specific proposals for an exchange of visits by one or two specialists in this field.

4. Please wire proposed date of presentation, so that copy may be given Soviet Chargé d'Affaires here.

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[38] Le 29 mars 1956, le Cabinet a décidé de refuser les visas d'entrée d'un groupe de femmes russes qui avaient été invitées à venir visiter le Canada par une organisation communiste, le Congress of Canadian Women. La présidente du Conseil national des femmes avait publiquement recommandé aux groupes de femmes du Canada de ne pas rencontrer les visiteuses.

On March 29, 1956, Cabinet decided to deny entry visas to a group of women from the Soviet Union, who were invited to visit Canada by a communist-led organization, the Congress of Canadian Women. The President of the National Council of Women had publicly warned Canadian women's groups not to meet the visiting Soviet women.

511. DEA/12230-40

L'ambassadeur en Union soviétique
au secrétaire d'État aux Affaires extérieures

Ambassador in Soviet Union
to Secretary of State for External Affairs

TELEGRAM 99 Moscow, May 8, 1956

SECRET

Reference: Your telegram S98 May 2.

EXCHANGE OF VISITS

Aide mémoire presented yesterday and additional points made verbally. Ministry commented regretfully that while introductory paragraphs were encouraging rest of communication appeared restrictive in intent. Disappointment was expressed at decision on energetics exchange. Specific proposals on meteorology would be welcome. Position on Communist dominated organizations was that USSR wished encouragement of widest possible contacts; so far as they knew no organizations whose invitation has been accepted were considered illegal by the Canadian Government; and in any case the initiative had come from the Canadian side. However they had no wish to interfere in our internal affairs and the decision was of course up to us.

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512. DEA/12230-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa, May 10, 1956]

VISITS FROM THE SOVIET BLOC SPONSORED BY COMMUNIST OR COMMUNIST FRONT ORGANIZATIONS

Mr. Pickersgill's statement in the House yesterday has brought into the public domain the Government's decision not to admit to Canada visitors from Soviet bloc countries coming under the auspices of Communist or Communist front organizations.[39] I am glad that the Government's position has been stated as I was somewhat concerned about public misunderstanding of the reasons for the decision to refuse visas to the Soviet women, i.e., failure to appreciate that the objection was to the sponsoring organization rather than to the visit of some Soviet women.

I think it is unfortunate, however, that the statement has been made in the context of the Robeson visit and of his agent Jerome Myers and even more unfortunate that Mr. Pickersgill should have said as his opening statement that "it is not the policy of the government to admit known communists to this country either as immigrants or as visitors." I am afraid that the context and this opening statement may blur the main point which we hoped to get across. The case with regard to the Congress of Canadian Women was much more clear-cut and defensible, and in any case as far as this Department is concerned would have explained to the Russians in an unmistakeable way what our attitude was. As it is, the two issues are going to be confused in the public mind, and the question of civil liberties may become the dominant question (see the attached editorial from the *Globe and Mail* of April 12.)

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[39] Voir Canada, Chambre des Communes, *Débats*, 1956, volume IV, pp. 3864 à 3865.
See Canada, House of Commons, *Debates*, 1956, Volume IV, pp. 3728-3729.

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[Trois lignes non déclassifiées./Three lines were not declassified.]

. . .

[Mr. Jerome Myers'] company may or may not be run on a commercially sound basis, but it is apparent that he turns his commercial activities to the political and propaganda advantage of the L.P.P. and the front organizations. The following is a summary of his current activities as an impresario:

(a) He arranged a series of concerts for the Polish pianist Mme. Czerny-Stefanska to whom a visa was granted without, apparently, any check being made as to her sponsorship.

(b) He is trying to arrange, for October, 1956, a series of concerts by Soviet artists, Emil Gilels, the pianist, I. Bezrodny the violinist, and Mr. Hryshko and V. Firsova, bass baritone and coloratura. He is planning to book this tour in conjunction with other quite reputable agents in Montreal, Toronto, Winnipeg and Vancouver.

(c) He has made to the Yugoslav Ambassador a proposal to organize a complete tour of Canada by the Yugoslav National Ballet.

(d) He has proposed to the Stratford Players and to the Théâtre du Nouveau Monde that he organize a tour to the Soviet Union on the basis that he (which must mean the Russians) will pay two of the three items, transport, fees (salaries) and expenses if Stratford and Théâtre du Nouveau Monde will pay the third.

We have nothing against any of these tours as such, but we do object to the role of Jerome Concerts. The problem of how to ease him out of the picture is a knotty one, particularly as Myers may accuse the Department of forcing him out of business. The two possible courses which I am considering are

(a) a personal and informal approach to Mr. Koudriatzev, the Montreal impresario, or Mr. Tremblay of Tremblay Concerts, to ask whether either of them would take over Myers' role or would suggest another agency to do so;[40] and/or

(b) an informal and friendly chat with the Soviet Ambassador suggesting that, because of our objections to Myers and the impossibility of granting visas to artists brought out by him, the Russians change their impresario.

This does not, admittedly, cope with the Yugoslavs but I would hope that the Yugoslav Ambassador could be persuaded to drop Jerome Concerts without too much difficulty. I should appreciate your comments on these ideas.

To return to the more clear-cut case of the Congress of Canadian Women, I am wondering if it might not still be desirable to say something in the Committee or the House to clarify the position. I am thinking of a statement setting forth first the general policy on sponsorship of Soviet bloc visitors, emphasizing that the objection is to Communist and Communist-front sponsors not to Soviet bloc visitors *per se*, and second our specific objections to the Congress of Canadian Women. These thoughts are set forth in my memoranda of March 21† and April 6.† I think that a clear statement of Canadian policy in this regard is important for the sake of public understanding within Canada and for the sake of our dealings with the Russians.

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[40] Note marginale :/Marginal note:
I doubt that this is possible. J. L[éger]

Finally, there is the question of replying to outstanding enquiries. Attached for your signature if you approve are:

(a) A telegram† to Moscow refusing visas for the Soviet women. I would prefer to quote a statement by yourself in the House along the lines suggested in the previous paragraph, but I think it is important that a reply be sent without further delay.

(b) A letter† in reply to the enquiry from Chrysler Corporation of Canada.

There is also an outstanding enquiry from the Congress of Canadian Women, but I think we should stick to the decision not to correspond with the Communist front organizations and let Mr. Pickersgill's statement in the House serve as the reply.

J. L[ÉGER]

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513. DEA/12230-40

Aide-mémoire du gouvernement de l'Union Soviétique[41]

Aide-mémoire from Government of Soviet Union[41]

Moscow, June 5, 1956

In connection with the Aide Mémoire of the Embassy of Canada in Moscow, handed to the Deputy Chief of the Second European Division of the Ministry of Foreign Affairs of the USSR N.D. Belokhvostikov, by Mr. Collins, Chargé d'Affaires a.i., on May 7, 1956, the Soviet Government advises that it fully shares the opinion of the Government of Canada that the exchange of visits between the USSR and Canada contributes to greater mutual understanding between the Governments and peoples of both countries.

The Government of the USSR agrees with the statement in the Aide Mémoire that the exchange of visits should be based on the principle of reciprocity. So far as the exchange of official visits is concerned, it is taken for granted that the number of official delegations and their composition should be agreed in advance through diplomatic channels. The question of payment of expenses in connection with the sojourn of official delegations could be most easily solved in each case individually, taking into account the wishes of the interested party. Also taken into consideration is the wish of the Canadian Government that Soviet delegations visiting Canada and Canadian delegations visiting the USSR should be small in size.

It goes without saying that when organizing trips to Canada in connection with Canadian private groups, unions (?) or individuals, the Embassy of the USSR in Ottawa will maintain contact with the Department of External Affairs of Canada and inform it when the relevant agreement with the private group, union or individual has been reached.

At the same time the Soviet Government takes note of ("cannot overlook") the statement of Mr. Collins during his talk with N.D. Belokhvostikov on May 7, 1956, regarding the unwillingness on the part of Canada to exchange energetics delegations in 1956, and also his statement regarding the refusal of the Canadian Government in future to issue the

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[41] Traduction non officielle d'un aide-mémoire du gouvernement de l'Union soviétique à l'Ambassade à Moscou.
Unofficial translation of an aide-memoire from the Government of the Soviet Union to the Embassy in Moscow.

Canadian visas to Soviet citizens and organizations leaving for Canada at the invitation of certain public Canadian organizations. Such a practice would mean the limitation of the contacts between two countries and would not assist in the realization of the agreement, stated in the joint Soviet-Canadian communiqué of October 12, 1955, regarding the necessity of developing as much as possible cultural, scientific and technical contacts".[42]

The Soviet Government hopes that the Government of Canada, in addition to official visits, will also encourage the exchange of delegations and information between various Soviet and Canadian institutes and public organizations, which would permit these institutes, organizations and citizens of one country to become better acquainted with the experience and achievements of the other country in the spheres of culture, science, education, sport, care of public health, industry, transport and agriculture.

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514. DEA/12230-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], June 7, 1956

ADMISSION OF VISITORS FROM THE SOVIET SATELLITE COUNTRIES

You will recall that on February 23, 1956, the Cabinet gave its approval to a memorandum submitted by you entitled "Exchange of visits and information between Canada and the Soviet Union". Among other things, the Memorandum recommended in connection with Soviet visits to Canada that "visas should be denied if the invitations have been issued by Canadian communist or communist-front organizations".

2. We intended that the same regulations should apply to visitors from Soviet satellite countries as well as from the Soviet Union itself, and this extension was omitted merely through an error in drafting. In view of the fact that the Cabinet approved of this and of the other recommendations in the memorandum as constituting "Canadian policy in the matter of the exchange of information and of visits respectively between Canada and the countries of the Soviet Bloc" it may be that members of the Cabinet assumed that the entrance restrictions would apply to both the Soviet Union and its satellites.

3. In case you consider it necessary to go to Cabinet again for a decision on the satellites, I attach a brief draft† submission to Cabinet for your approval. Since the Department of Citizenship and Immigration technically has the responsibility for the granting or refusal of visas other than courtesy or diplomatic ones, you may wish to discuss this matter with Mr. Pickersgill first.

4. A nine-member Czechoslovak cultural delegation applied for visas early in May to come to Canada at the invitation of the communist-dominated Slovak Benefit Society, between June 15 and 20 for a three-week period. In view of the urgency of reaching a decision on this application, I should appreciate knowing whether you agree that visas should not be granted to the delegation.

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[42] Pour une copie du communiqué, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 7, N° 11, novembre 1955, pp. 282 à 285.
For a copy of the communiqué, see Canada, Department of External Affairs, *External Affairs*, Vol. 7, No. 11, November 1955, pp. 278-281.

5. As I noted in my recent memorandum† to you concerning the refusal of visas to a delegation invited by the Association of United Ukrainian Canadians to celebrate the Franko centenary,[43] the Canadian policy on the refusal of visas to groups sponsored by communist-dominated organizations does not seem to be fully understood by the Canadian public. If questions are raised in the House of Commons or the External Affairs Committee in connection with the refusal of visas to either the Soviet or Czechoslovak groups you might wish to explain the policy again and to note that it applies to visitors from the whole Soviet bloc, provided Cabinet agrees to the extension of the policy to the satellites.

J. L[ÉGER]

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515. DEA/12230-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL Ottawa, June 12, 1956

ADMISSION OF VISITORS FROM SOVIET SATELLITE COUNTRIES

You had no opportunity to raise this case in Cabinet before your departure and since a decision on the visas had to be taken today, I got in touch with Mr. Pickersgill, who fully endorsed the view that delegations from Soviet satellite countries should be treated in an identical manner to those from the Soviet Union when sponsored by communist dominated Canadian associations. As a result of this conversation it was decided that visas should be refused to the nine-member Czechoslovak cultural delegation which applied for visas to come to Canada at the invitation of the communist dominated Slovak Benefit Society.

Mr. Pickersgill made the further point that you might not consider it necessary to raise this issue in Cabinet.

J. L[ÉGER]

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516. DEA/12230-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

[Ottawa], July 13, 1956

EXCHANGES OF VISITS WITH THE SOVIET BLOC

During the past year the Soviet Union has displayed an increasing willingness to enter into exchanges of visits with Canada. On the whole we have tended to meet the Soviet advances primarily by imposing restrictions upon the number of visits and the manner in which they could take place and only secondarily by attempting to use them for our own ends. From the way in which the exchanges have been developing it now appears that to meet the pressure upon us to increase the number of visits, to keep up with the example of our allies and to obtain the maximum advantage from the exchanges we shall have to move away from this restrictive attitude and expand considerably our visits programme.

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[43] Ivan Franko (1856-1916); poète et romancier ukrainien populaire, dont les œuvres sont imprégnées d'un socialisme et d'un nationalisme radicaux.
Ivan Franko (1856-1916) was a popular Ukrainian poet and novelist, whose work was coloured by his radical socialism and nationalism.

2. The Soviet Union has suggested a large number of exchanges in many different fields both because it finds many of them rewarding in themselves and because it wishes to appear to be taking the initiative in instituting a policy of peaceful co-existence among nations. Both Canadian Government Departments and private Canadian organizations have also produced a variety of proposals for visits. Although our reasons for rejecting many of the proposed visits have been perfectly valid, our attitude has unfortunately appeared to be a purely negative one. We have seemed to be less interested than the Soviet Union in breaking down the barriers between the two countries. A cautious attitude may have sufficed while we were still unsure what was behind the Soviet interest in freer contacts and were uncertain as to how long it would last. Now that the Soviet Union appears likely to continue trying to promote visits it would be preferable for us to wrest the initiative from it as much as possible and recommend or endorse exchanges which will be profitable to us.

3. Facing a similar pressure upon the United States to increase the number of visits, President Eisenhower recently agreed to seek a bilateral increase in exchanges of information and people between the United States and the Soviet Bloc countries along the lines of the programme put forward by the Western Foreign Ministers at Geneva in October 1955. This programme you will remember called for the elimination of barriers to the free flow of information through publications, radio and films and recommended exchanges of visits by people in all walks of life ranging from technicians and artists to private tourists. The United States has already begun to increase contacts with the Soviet Bloc. The United Kingdom and France have been pursuing a similar programme for some time to meet the Soviet Union's overtures and to attempt to push it still further towards liberalization. I do not think that Canada should lag behind these three countries in promoting exchanges of visits.

4. There is already evidence that the visits can be of value to us. Canadian science and technology can learn much from the Soviet Union in certain fields, and many visits have in addition produced information of interest to Canadian intelligence agencies, especially since the Soviet Union is now imposing somewhat fewer restrictions upon what visitors can see. More important, the visits have helped to give many Soviet citizens an opportunity to learn something of a way of life other than their own. Although none of them may have been converted from their basic belief in Communism the contacts have at least led many in important positions to acquire a somewhat more exact idea of the nature of our society and of the aims of our policy. In the long run the opportunity to spread our ideas in the Soviet Union may lead to some liberalization within the Soviet system.

5. The Soviet visits to Canada undeniably do present certain political and security difficulties, but these considerations should not be regarded as overriding. The security dangers can be minimized if we make satisfactory arrangements for the reception of the visitors. If necessary, the size of the R.C.M.P.(SB) should be increased; the development of our relations with the Soviet Union should not be tied to the present size of the Canadian security forces.

6. If we are to increase the number of visits between Canada and the Soviet Bloc, the following are some of the ways by which this can be done:

(a) We should accept a reasonable number of the Soviet visits to Canada proposed by the Soviet Union or non-Communist organizations, including visits by Soviet tourists, if any actually do apply to come here. Although asking for reciprocity, we should permit the visits even if we have no immediate plans for a return trip.

(b) Canadian Government Departments could be encouraged to send specialists to the Soviet Union whenever they consider the visits would be profitable, even if we have to give permission for Soviet specialists to come here in return.

(c) We could welcome requests from responsible non-Communist Canadians to travel to the Soviet Union and offer them advice and assistance (other than financial) whenever practicable.

(d) Both in connection with the visits and independently from them we should attempt to increase the exchange of information with the Soviet Union.

7. The attached memorandum† gives a somewhat fuller analysis of the desirability of increasing the number of visits between Canada and the Soviet Bloc. I should appreciate any comments you may care to make on the ideas developed above.

8. I would not recommend that a new recommendation be submitted to Cabinet at the present time, concerning the need to expand our programme of exchanges with the Soviet Union. The memorandum is intended to point out that it may be difficult in the coming year to maintain our present attitude towards visits. It would be unfortunate if our policy were to be more restrictive than that of our principal allies. In due course it might be advisable to make a progress report to Cabinet.

J. L[ÉGER]

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517. DEA/12230-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], August 27, 1956

UNITED STATES' POLICY ON EAST-WEST EXCHANGES

President Eisenhower agreed late in June that the United States should increasingly take the initiative in seeking exchanges with the countries of Eastern Europe, including the Soviet Union. To institute this programme Mr. Dulles has just appointed a Special Assistant for East-West Exchanges, Mr. W.S.B. Lacy, a former Ambassador to Korea, who will be concerned with exchanges of persons, literature and cultural information.

2. The United States Embassy recently gave us the attached confidential policy information bulletin† which outlines some of the reasons behind the United States' desire to increase the exchanges. The bulletin notes that a 17-point programme of exchanges was submitted at Geneva by the three Western Foreign Ministers. Although agreement was not reached at that time the number of exchanges with the Soviet Bloc has, in fact, increased, and the results of these have been such as to lead the United States to the conclusion that it should increasingly take the initiative in arranging for more.

3. In recommending that the number of exchanges be increased the National Security Council has noted that these should forward the basic United States' policy with respect to the U.S.S.R. of promoting its evolution towards a régime which will seek to promote the aspirations of the Russian people rather than the global ambitions of international Communism and which will increasingly rest upon the consent of the governed rather than on

despotic police power. Exchanges with the satellites might help to promote a desire for greater independence from the Soviet Union.

4. The objective would be to increase the knowledge of the Soviet and satellite peoples as to the outside world, to encourage freedom of thought by bringing them challenging ideas, to stimulate the demand for greater personal security, to encourage their desire for more consumer goods and to stimulate nationalism within the satellites. Against the advantages of the exchanges the National Security Council noted that some third countries might misconstrue the United States' policy as indicating that it believed that the Soviet aims had now become more benign. The Council noted, however, that it might be possible to explain to them confidentially that the policy was designed to weaken international Communism and should not be taken as an indication that the United States considers that the Soviet Union is no longer to be feared. The President accepted the National Security Council's view that the United States should take the initiative in promoting exchanges.

5. The United States' decision to increase the number of exchanges with the Soviet Bloc may affect our own programme of exchanges with the Soviet Union. Quite apart from the fact that many Soviet visitors to the United States request permission to come to Canada as well, I think it would be undesirable for us to lag too far behind the United States in this field. You will recall that in a memorandum to you of July 13, 1956, I noted that it might be difficult to maintain our present attitude towards visits. The change in emphasis in the United States' policy provides an additional argument in favour of a more forthcoming approach by the Canadian Government to the question of exchanges with the Soviet Union. It is only by a relatively "liberal" programme of our own, that we could resist pressure from the Russians to accept their visitors to the United States as well, which would be practically impossible for us to handle with our limited resources.[44]

J. L[ÉGER]

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518. DEA/12230-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

SECRET [Ottawa], December 20, 1956

EXCHANGE OF VISITS WITH THE SOVIET UNION

In view of recent Soviet actions in Hungary, I think you will agree that the recommendation for a more liberal exchanges policy towards the Soviet Union, contained in your memorandum to Cabinet of February 3 and approved by the latter on February 23, will now require at least provisional amendments.

2. I would recommend, therefore, that for the immediate future, we take no initiative in the exchange of visits with the Soviet Union, and that we defer consideration of any Soviet proposals in this field.[45] It might be advisable, however, not to make a public announcement to this effect. I would also recommend that we give most careful consideration to

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[44] Note marginale :/Marginal note:
I agree and should take this up with Cabinet when I return. L.B. P[earson]

[45] Note marginale :/Marginal note:
I agree [L.B. Pearson]

adopting a more liberal exchanges policy towards the satellites in the light of the changing situation in that area. I think for example that much can be gained if we encourage more contacts with a country such as Poland which has made considerable progress in breaking away from complete domination by Moscow.[46]

3. You will have noted that steps have already been taken towards restricting our contacts with the Soviet Union. A telegram† and circular document† were sent recently to our posts abroad instructing our representatives in all capitals, except Moscow, normally neither to invite Soviet officials nor accept their invitations; and at other functions to keep social intercourse with Soviet fellow-guests to the bare minimum required by politeness. The restrictions do not apply to satellite officials. The members of the Interdepartmental Panel on the Exchanges of Visits have been asked to defer action on any plans regarding exchanges of visits with the Soviet Union and our missions have been informed accordingly.

4. With regard to exchanges of information, especially in the scientific and technical fields, there appears to be little reason for not permitting these to continue. Exchanges in these fields have now been established on a regular basis between various Government departments and the corresponding Soviet agencies, and have proved to be of considerable value.

5. I do not think that a new memorandum need be submitted to Cabinet at present, but you may wish to discuss this matter at the next Cabinet Meeting you attend.[47] You might draw the attention of Cabinet to the fact that the United States has suspended all pending exchanges with the Soviet Union, although not with the satellites, and that the United Kingdom is also taking steps in this direction.[48]

J. L[ÉGER]

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519. DEA/12230-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], April 17, 1957

EXCHANGE OF VISITS WITH THE U.S.S.R. AND THE SATELLITES

Last November, as you know, we decided to defer action on any exchanges of visits with the USSR for an indefinite period. It was felt that developments in Eastern Europe might eventually warrant a more liberal attitude toward exchanges with the Satellites, but, for the time being, we undertook to examine any such exchanges on their merits.

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[46] Note marginale :/Marginal note:
Yes [L.B. Pearson]

[47] Note marginale :/Marginal note:
Yes L.B. P[earson]
Pearson a fait part de cette décision de limiter les contacts avec l'Union Soviétique lors de la réunion du Cabinet du 10 janvier 1957.
Pearson reported this decision to restrict contacts with the Soviet Union to Cabinet at its meeting of January 10, 1957.

[48] Voir aussi document 545.
See also Document 545.

2. As regards the Satellites, I think you will agree that we should in principle favour selective exchanges with all except Hungary, and that we should try to be especially accommodating as regards Poland. It is of interest that the Jewish Theatre of Poland is to visit the United Kingdom and that the Czech Philharmonic Orchestra plans to tour North America, including Toronto and a number of cities in the United States, early in 1958.

3. There remains the question of our policy toward the exchange of visits with the USSR. I would suggest that the time has come for us to reconsider our present policy in this regard.

4. Although the Soviet authorities understand our position very well, they have pressed us for a resumption of those exchanges which were planned before the events in Hungary. During the past five weeks, they have approached our Ambassadors in Moscow and Belgrade; and Mr. Chuvahin and Mr. Strounnikov have raised this question with various officers of the Department in Ottawa. Since we had left the door open for consideration of these plans at a later date, the Soviet authorities have now taken the line that they will have to make alternative plans if they cannot count on us for an early decision. For our part, we may wish to bear in mind that the Soviet Government has not yet placed an order for wheat in 1957.

5. I attach for your convenience a list† of the exchanges for which plans are outstanding. Mr. Chuvahin has raised most of them specifically. The bulk of these proposals have been initiated by the Soviet Government, but the visits concerning ice-breakers and meteorology represent Canadian initiatives. The Department of Transport is anxious to pursue the ice-breakers exchange at once.

6. Perhaps we might now give thought to the possibility of gradually resuming a limited number of exchanges, though no Soviet visits to Canada would take place before July. We might try to keep the first exchanges as small and as inconspicuous as possible,[49] and to plan the relevant itineraries so as to avoid areas in which there are concentrations of Hungarian refugees and other émigré groups. We might limit the exchanges to one or two per month, depending on the size of the delegations and the publicity which these seem likely to attract. We should, I think, make no public announcement about this modification in our policy.

7. It might have been easy to open the door by arranging cultural exchanges, such as, for instance, a visit to Canada by the Moiseyev Folk Ballet. The United States Government has cancelled a visit by this group for the current season, and we have been informed that Canadian impresarios would find it financially difficult to underwrite an artistic tour in Canada unless this is associated with a tour of the USA. However, it may be considered that the Stratford Festival provides us with an opening. The Festival authorities have long been anxious to bring Soviet artists to Stratford, and we have agreed to allow a limited number of Soviet theatrical personnel to come this summer as visitors rather than as performers. If you agree with this approach, we might concentrate on visits in which there is a strong Canadian interest, and which are clearly non-political in character. I see no reason why our people should not go to see Soviet ice-breakers as soon as arrangements can be made with the USSR; the same applies, I think, to meteorology.

8. If we attempt to resume these exchanges, the Soviet authorities will wish a reciprocal programme. Their proposals embrace a wide variety of fields including agriculture, statistics, public health, antibiotics, neurosurgery, labour economics, asbestos production and

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[49] Note marginale :/Marginal note:
I agree L.B. P[earson]

energetics, and a tour for the pianist Oborin in exchange for Glen Gould's forthcoming tour of the USSR. We shall probably find it inconvenient to grant certain of these requests, such as those concerning energetics and asbestos. The Departments of Trade and Commerce and of Mines and Technical Surveys both advise against the latter exchange in view of the serious Soviet competition for Canadian asbestos markets abroad. It would, in any case, be necessary for the Inter-Departmental Visits Panel to review these proposals.

9. There appears to be some feeling in the United Kingdom that, unless we are prepared to devote ourselves to the overthrow of the Soviet régime by all possible means, any reasonable step, such as a resumption of the exchange of visits, which is apt to improve relations and to encourage the kind of Soviet public opinion necessary to modify the Soviet régime, is desirable. As you know, the United States at Bermuda did not disagree with the British view that a cautious and controlled resumption of cultural exchanges would be desirable. We have just heard from Canada House (Letter 647 of April 12† attached) that the UK Government has concluded that cultural exchanges should be quietly resumed. Our Delegation to NATO has also reported (Telegram 648 of April 16† attached) that both the French and US Governments have agreed with the British position, and that the US Government has decided unobtrusively to resume exchanges of technical visits with the USSR. I attach for your signature, if you agree, a telegram† to NATO which answers Mr. Wilgress' request for our views on this question before April 23, and which asks our Embassy in Washington for confirmation of this change in US policy.

10. In the meantime, if you agree to a resumption of exchanges along the lines suggested above, we shall consult the Inter-Departmental Visits Panel.[50]

J. L[ÉGER]

3^e^ PARTIE/PART 3

GUERRE PSYCHOLOGIQUE
PSYCHOLOGICAL WARFARE

520. DEA/9901-6-40

Le sous-secrétaire d'État aux Affaires extérieures
au secrétaire du Cabinet

Under-Secretary of State for External Affairs
to Secretary to Cabinet

CONFIDENTIAL Ottawa, October 15, 1956

Dear Mr. Bryce,

As requested in your letter of July 19,† I enclose a report on the operations of the CBC International Service which has been prepared by the Political Co-ordination Section of this Department for the proposed meeting of the special committee of officials.

This report gives a satisfactory outline of the relations between this Department and the CBC-IS, with interesting and important comments on the reception of the short-wave service and the use of transcriptions, and sets out a statement of principles of broadcasting to Soviet and satellite countries for approval by the committee. It does not, however, in my opinion get down to the root of the matter which is the question of the ultimate responsibility within the Government for the operation of the International Service.

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[50] Note marginale :/Marginal note:
Yes — but we shall have to go carefully until and after June L.B. P[earson]

The original Order-in-Council, PC 8168 of September 18, 1942, set out very clearly the responsibilities of the CBC and of the Department of External Affairs with regard to the International Service. Paragraph 6 of the Order-in-Council reads:

"The Canadian Broadcasting Corporation has, in its national broadcasting service under the Canadian Broadcasting Act, 1936, acquired and gained considerable experience in radio broadcasting and associated programmes, technical and administrative operations. It has trained personnel many of whose services could automatically be applied to the short-wave service. Many of its regular programmes would be used for short wave transmission and it would be responsible for the building of the special short-wave programmes which would largely interlock with those on the national system. It is recommended, therefore, that the Corporation is better equipped than any other body and is the logical one to administer, operate, supervise and control the short-wave broadcasting stations and associated facilities. In view of the fact that such short-wave broadcasts would constitute a factor affecting Canada's relations with the other countries of the Commonwealth, and with foreign countries, the work of the Canadian Broadcasting Corporation in this field should be carried on in consultation with the Department of External Affairs."

It seems clear from this that the original intention was that the Corporation should be directly and continually responsible for the work of the International Service and that the Department of External [Affairs] should provide advice in matters affecting our relations with other countries.

It appears however that over the past five or six years the CBC management has not done much to "administer, operate, supervise and control the shortwave broadcasting stations..." When Mr. Désy was appointed Director General in 1952 the CBC management in Ottawa seem to have taken the line that they had no further responsibility for the International Service, apart from mere housekeeping details. Mr. Désy set up machinery which allowed for closer liaison between the International Service and the Department of External Affairs in the matter of providing background information and information on Government policy in international affairs, but his appointment did not mean — or at least was not intended to mean — that this Department had assumed an interest in the day to day operation of the shortwave broadcasting service.

With the appointment of Mr. Delafield as Director of the International Service, in succession to Mr. Désy, the nominal link with this Department was broken, but I doubt that the CBC management resumed any closer direction of CBC-IS affairs. As far as the Department is aware, the International Service seems to be regarded by the CBC as a separate establishment operated by its own senior officials, with a minimum of interference from the Corporation. There is little cross fertilization of ideas between the national service and the international service, or easy transfer from say, the West Coast division to the International Service or vice versa. No doubt many of the positions in the International Service requiring a knowledge of foreign languages are highly specialized, but this should not apply to all positions.

The Department of External Affairs has no interest in taking over the responsibility of the operation of the International Service, which is primarily a radio matter and should be run by the best available experts in the field. We think however that better results could be achieved if the CBC management exercised its responsibility "to administer, operate, supervise and control" the International Service. The present situation is probably as unsatisfactory to the CBC as it is to this Department.

I understand that in their brief† to the special committee the CBC will stress the necessity of building, sooner or later, new short-wave transmitters, which will presumably cost several million dollars. It may well be that unless these new transmitters are provided our short-wave broadcasts will only reach a small part of their potential audience. However, I should be reluctant to support a request for the necessary appropriation unless some fairly radical changes were made in the present set-up of the International Service.

I wonder if you and I could meet with Mr. Dunton sometime before the special committee meets, to discuss whether this problem of responsibility for the International Service should be considered by the committee.

I am sending additional copies of the attached report to Mr. Dwyer for distribution to the members of the Committee. No distribution is being given to this letter.

Yours sincerely,
JULES LÉGER

[PIÈCE JOINTE 1/ENCLOSURE 1]

Rapport de la section de la coordination des politiques

Report by Political Co-ordination Section

CONFIDENTIAL Ottawa, September 24, 1956

CBC-IS OPERATIONS

The Department of External Affairs supports the principle that Canada should maintain an international short-wave broadcasting service. Radio offers an effective way of reaching and influencing people's minds and is accepted by all the major countries of the world as a useful instrument of external policy. The great powers, the USSR, the United States and the United Kingdom, are most heavily engaged in international broadcasting and the tremendous effort made by the USSR and the satellites to jam Western broadcasts is an indication of their belief and fear that such broadcasts are potentially effective.

2. The Department has stated in the past its belief that an effort to explain Western life and policies to the people of the Communist countries is worth while. A departmental memorandum written in January 1954 stated:

"If even a modest degree of success is obtained in counteracting incessant Communist propaganda and disabusing the Soviet people of some of the false concepts forced upon them, if the faith in the values of democracy and Christian civilization can be maintained at a healthy level in those countries more recently taken under Soviet sway, the moderate costs of radio broadcasting are well spent."[51]

3. With the easing of international tension, the conflict of ideas has become increasingly important. Canada has a modest influence in the world's political and military affairs and a considerable one in economic affairs. This influence will be strengthened if our views are as widely known as possible and if other countries have an accurate knowledge and understanding of Canada. Radio can play an important part toward this end.

4. An important consideration in assessing the value to Canada of a short-wave broadcasting service has always been its potential usefulness in wartime. In the last war, radio broadcasting, chiefly conducted by the BBC, was a most effective means of encouraging our friends in Occupied Europe and sowing disaffection in the enemy population. Canada

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[51] Voir/See Volume 20, Document 697.

came into this field very late and without experience, but its importance was appreciated. In the event of war Canada would want to play a vigorous part in the allied propaganda effort, of which broadcasting would be a vital part. If we did not possess a short-wave service one would have to be created in a hurry. The short-wave transmitters and the very considerable experience of the present CBC-IS staff are assets which should be kept in readiness. (It is notable that nearly 2 1/2 years elapsed between the decision to set up a short-wave service in September 1942 and its inauguration in February 1945.) It should also be noted that the Canadian Government has a considerable investment in this service. In the eleven years of its existence the CBC-IS has cost over $19 million of which $4 1/2 million has been for capital investment and $14 1/2 million for operating expenditures.

5. The Department reaffirms its belief that the work of the CBC-IS is important. It is chiefly concerned that it should be carried out as effectively as possible and that as necessary methods be adapted to changing conditions.

Eastern European Services

6. In its report of May 22, 1954, the special committee of officials recommended a set of directives for broadcasting to the Soviet and satellite countries which was subsequently approved by the Cabinet Committee.[52] These directives were drawn up when there was still very considerable tension between East and West. It is believed that in the changed international atmosphere since the Geneva Conferences of last year, and in the light of the changed internal situation in the USSR and the satellites since the XXth Party Congress, a new directive for CBC-IS broadcasts to the Soviet and satellite countries is required.

7. A draft statement of principles of broadcasting to Soviet and satellite countries is attached as Appendix "A". The emphasis has been placed on the projection of Canada, which of course means not only providing information about Canada, but also expressing a Canadian view of international affairs and, where appropriate, of events in the Soviet and satellite countries. The statement suggests that the International Service should attempt to avoid the imputation of being a propaganda organ which seems to be a widely held opinion of the Voice of America and Radio Free Europe. On the other hand, it should not be merely an imitation of the highly regarded BBC. Our comments on international affairs should reflect the Canadian as a representative Western view. The statement also suggests that direct comments on internal affairs of the USSR and the satellites should be limited, and that our principal criticism of the Communist system can best be expressed indirectly through a positive description of the Canadian way of life, with discussions of common problems and demonstrations of our methods of solving them. Particular attention is drawn to the question of the tone of our broadcasts.

8. It is submitted that a moderate approach will be more likely to attract the listeners' attention and therefore more likely to be effective as propaganda than direct and emotional attacks on communist theory and practice. This approach should find ready acceptance among the educated people in the professions, in the bureaucracy, and in industry, who are most likely to have access to short-wave radios, who are interested in relations between the USSR or the satellites and the outside world, and who have a growing influence in communist society. A second consideration, which should not be allowed to affect the content of our broadcasts, but might well affect their tone is that at some appropriate time a direct approach might be made to the Soviet authorities on the question of jamming. Subsequently similar approaches to the satellite governments might be desirable.

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[52] Voir/See Volume 20, Document 698.

9. Before any approach is made to the Soviet authorities we would want to be sure that their monitoring service could not produce any scripts of the CBC-IS broadcasts which they might reasonably claim to be abusive or actively hostile. It would be more difficult to obtain suspension of the jamming of broadcasts to the satellite countries, as their governments are less sure of their position and more vulnerable to outside criticism. However, if the Soviet authorities set an example, the satellite authorities might decide to follow suit in due course.

Liaison with the Department of External Affairs

10. The present arrangements for keeping the CBC-IS informed of Government policy and Departmental views on international affairs and for supplying them with available background information for their broadcasts would seem to be adequate. The Political Coordination Section of the Department, which was set up in 1953, maintains this liaison through letters of guidance, weekly selections of classified material and by frequent telephone consultation between Ottawa and Montreal. In addition, there is an interchange of visits between members of the section and of other divisions of the Department and of members of the CBC-IS staff. The CBC-IS representative in Ottawa also keeps in constant touch with this Department and with other Government departments.

11. The Department has wondered whether the CBC-IS directing staff might be able to improve its methods of giving policy and editorial guidance and direction to the different language sections and to the Eastern European sections in particular. There appears to be a division of responsibility between the policy co-ordination unit and the supervisor of language sections with regard to the actual output of the sections. In order to apply the principles suggested in the attached Appendix "A" consistently and successfully, it might be necessary to exercise closer direction over the various language sections, giving them ideas for their programmes, discussing projected scripts and infusing a greater sense of unity and purpose into the total effort. If a suitable person were available, the CBC-IS might consider the appointment of an officer who would be directly responsible to the Director for all programmes to Soviet and satellite countries. There would be no point in making such an appointment unless the person chosen was highly qualified, with expert knowledge of international affairs and of Eastern Europe, experienced in broadcasting and newspaper work and with a wide knowledge of Canada. It would also be most desirable that he should be able to speak at least one of the languages used, so that he could judge directly the work produced. Such a person could not easily be found, but the possibility should be kept in mind.

12. With regard to the personnel of the language sections, the Department has noted that two of the sections, the Polish and the Ukrainian, are headed by Canadian-born citizens, of French and English backgrounds respectively, rather than by former nationals of the countries concerned. This is a development which should be encouraged as experience has shown how difficult it is for the émigré members of the broadcasting staff, even with the best will in the world, to divest themselves of their old loyalties and prejudices. To have effective control the heads of sections ought to be completely familiar with the language of their section and should be assisted and encouraged in their study of it. As a long-term plan the International Service should develop specialists with a thorough knowledge of the various target countries, but with a strong Canadian background.

Reception of CBC-IS Signals

13. Canadian diplomatic missions in areas to which CBC-IS programmes are directed were asked in June and July of this year to carry out a monitoring exercise and to let us know how well they can hear CBC-IS programmes in the language of their posts and in

English on radio receivers normally available to members of their staff. The replies received were on the whole very disappointing and are summarized in the attached Appendix "B".† Our mission in Prague reported that they were able to hear the beginning of the Czech programme on a number of occasions but that it was heavily jammed after the first few minutes. They were also able to hear CBC-IS programmes in English with fair success. Our mission in Warsaw was completely unable to hear CBC-IS programmes either in Polish or in English, because of jamming and interference. The mission in Moscow reported that they were totally unable to hear CBC-IS signals because of jamming.

14. Reports from missions in Western Europe, including those in Stockholm, Oslo, Bonn, Berlin, The Hague and London, were uniformly discouraging. Only one of fifteen staff members who tried to monitor CBC-IS programmes on their home sets in Bonn was able to hear the programmes with any degree of consistency, using a fairly expensive radio. The staff members of other missions listed above all reported very little success in hearing the programmes. Our Embassy in Madrid reported poor reception of the Latin American service in Spanish but that reception of CBC French and English programmes was satisfactory. None of our missions reported having met a significant number of people who listen to CBC-IS programmes.

15. The reports from our missions must not be taken as proof that CBC-IS short-wave signals cannot be heard by people who are in the habit of listening to short-wave broadcasts. Most members of Canadian missions abroad are obviously not accustomed to short-wave listening and their personal reports have little technical value. It is however their belief that short-wave listeners in most countries are a rather specialized group, representing only a very small proportion of the general population. The report by the BBC Monitoring Service, summarized in Appendix "B", presumably based on the use of powerful receivers, with its preponderance of fair, or fair/poor and poor reports for the month of May 1956 does not give much assurance that even this specialized group is well served. There is evidence that CBC-IS programmes relayed by the BBC on medium-wave are received satisfactorily in Europe.

16. It may be that the European area, with its heavy concentration of broadcasting stations in every country and of jamming stations in the satellites and the USSR, is particularly difficult to reach by shortwave from Canada. It is also realized that 1956 is a particularly bad year for reception because of the sunspot cycle. Reports from other parts of the world, including South America, Australia and Japan, and the many listeners' letters received by the CBC-IS, would indicate that the signals are usually received very satisfactorily. The best solution to this problem might be the provision of new and more powerful short-wave transmitters to replace the present transmitters at Sackville, N.B. which were built fourteen years ago.

Relays and Transcriptions

17. It is the Department's view that whenever they can be used, relays and transcriptions of Canadian programmes are a great deal more effective than short-wave programmes. Nearly every mission which reported difficulty in hearing the short-wave broadcasts, expressed enthusiasm for the use of transcriptions and recommended their increase. Our Ambassador in Norway, Mr. Ronning, said:

> "The programmes prepared in Canada which are broadcast over the Norwegian long-wave system are of tremendous value. I listen to these broadcasts and I hear comments very frequently after each one from people in Oslo who have been impressed. The trouble is that there are so few of such broadcasts. I am quite certain that arrangements could be made for a larger number of such broadcasts."

Our missions in The Hague, Bonn, Berlin, London, Stockholm and Madrid all made similar comments.

18. The Department of External Affairs would support any proposals put forward by the International Service to increase and widen the scope of the transcription service. It is not suggested, however, that the weekend service of broadcasts to the Netherlands, Italy and the Scandinavian countries should be abandoned altogether. It seems reasonable that the regular weekly service is necessary to give continuity to the work of the language sections, which would in any case be responsible for increasing the output of transcribed programmes. There are also many types of programme useful to Canada which do not lend themselves to transcriptions or which would not be acceptable to foreign broadcasting organizations in this form and can only be sent out on the short-wave service.

19. The Department thinks that, generally speaking, arrangements for placing of transcriptions should be made directly by the CBC-IS with the broadcasting authorities concerned. It is however important that the missions be kept informed of all CBC-IS dealings with radio organizations in their territory. Our missions are of course glad to help in establishing contacts and expediting delivery of discs, when necessary.

20. The point was made by our mission in Berlin that German broadcasting authorities might be more interested in broadcasting Canadian programmes if they could expect some degree of reciprocity. The CBC might want to consider whether arrangements between the International Service and the National Network to this end could be improved.

21. The Department would also be interested in building up libraries of 12-inch LP transcriptions in missions which request them, which could be lent to radio stations and to schools, colleges and private individuals, in the same way as NFB films are used at present. It welcomed the initiation of this project a few years ago and hopes that it may be extended.

Television

22. It is understood that the CBC-IS report will mention the question of developing international exchanges of television programmes and whether the International Service should have primary responsibility in this field. As the National Film Board and CBC-TV are already establishing contacts with TV authorities in different countries, this is a matter which the Committee should consider. Should the International Service have a budget allocation for processing television kinescopes for placement abroad or should Canadian participation in television abroad be left to the National Film Board and to exchange arrangements made directly by CBC-TV? Our missions have pointed out that television is developing rapidly in many countries which have shown an interest in our radio programmes and this important medium for the further projection of Canada should not be neglected.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Appendice A

Appendix A

CONFIDENTIAL [Ottawa], September 24, 1956

PRINCIPLES OF BROADCASTING TO SOVIET AND SATELLITE COUNTRIES

I.

The object of CBC-IS broadcasts to Soviet and satellite people is primarily the projection of Canada as part of a co-ordinated political offensive of the Western world. The Eastern European services should promote understanding and friendship between their listeners and the Canadian people by presenting the Canadian view of international affairs, emphasizing that it is part of the Western viewpoint; by reporting events in Canada and by providing a picture of the Canadian way of life. Our principal means of expressing our criticism of the communist system should be through factual descriptions of life in Canada which the listener can contrast with conditions within the Soviet orbit.

2. As the Canadian service is generally only carried on two short-wave frequencies in the midst of a great volume of broadcasts from the BBC, the Voice of America, Radio Free Europe, etc., our programmes should have a distinctive quality and appeal which will attract and hold an audience among the limited number of persons who are interested in listening to short-wave broadcasts and who possess the necessary radio equipment. For this reason the tone of our broadcasts should not differ from that used in broadcasting to the rest of the world. They should be restrained and moderate in approach, clear and vivid in language and style and should show respect for the foreign listeners' intelligence, common-sense and national feelings. An additional factor to be considered is that the Soviet authorities have recently stopped deliberately jamming the BBC broadcasts in Russia; until jamming of CBC-IS programmes is lifted our service to the USSR, at least, will operate under a serious handicap in the competition for listeners. A consistent, moderate, though uncompromising approach in our broadcasts may make it easier to suggest to the Soviet authorities at some future date that if they are sincere in their desire to promote good relations with Canada they should put an end to the jamming of our short-wave broadcasts.

News Service

3. It is generally agreed that the backbone of the short-wave service to Soviet and satellite countries must be the news. We should present a reliable, balanced and completely objective international news service to counter the one-sided presentation of news in their own press and radio. There should be no suppression of news which might put the Western powers in an unfavourable light. Indeed, the problems of the Western community should be exploited in frank discussion to contrast the freedom of the members of that community with the rigid conformity which characterizes the internal relationships of the Soviet bloc. Because it is the voice of Canada, a deliberately generous share of interesting news of Canadian affairs should be included in the bulletins. Whenever available, reliable items of Eastern European news should also be included.

Commentaries

4. A considerable proportion of the programmes will be commentary on international affairs. This should be given from a Canadian point of view, giving due attention to the explanation of Canadian Government policy. Good coverage should be given to the United

Nations, NATO and the Commonwealth about which Soviet and satellite listeners may not be well informed. Inevitably there will be discussion of Soviet foreign policy on which our views presumably will be of interest to listeners in Eastern Europe. When the Soviet Union acts in a dangerous and irresponsible manner, or when it tries to disguise with high-sounding propaganda actions really designed to enhance its power position, we should not hesitate to say so but should do so coolly and frankly, with restraint and reasonableness. On the other hand, when the Soviet Union acts in a responsible and helpful manner, we should be at pains to welcome the fact and should certainly not automatically question the sincerity of its motives.

5. Comment on the internal affairs of the Soviet Union or of the satellite states should occupy only a very small proportion of the total programme content. In any discussion of internal affairs developments which suggest a move toward a more liberal atmosphere should be welcomed and listeners should be encouraged to think of further specific concessions, similar to those which are enjoyed in the West. The theme of the superiority of the Western and the inferiority of the Soviet way of life should not continually be belaboured in the abstract. In dealing with news of internal affairs authentic reports of events or conditions which have been hidden by the Soviet or satellite authorities from their people should be featured. To deal with a development in Eastern Europe which is highly significant of the local way of life, but perhaps insufficiently spectacular to merit lengthy treatment, an item should be produced on a comparable theme from Canadian life, with only a passing allusion to the Eastern European development, so that the facts themselves point up the contrast.

6. Discussion of Communist theory, *qua* theory, should be cut out altogether. The Russian people already have a surfeit of Marx and Lenin and their boredom with it should be recognized. Effectively to challenge theory in a series of short broadcasts which have to deal with so much else is virtually impossible. Let the challenge to theory come more subtly in a sustained pragmatic approach to developments which is ultimately more effective and more typical of Canadians.

Projection of Canada

7. The projection of Canada should now occupy a higher proportion of space in Eastern European programmes. It should perform a dual purpose of promoting understanding of our way of life and of our country, and of allowing listeners to make comparisons with their own conditions. In this connotation most of our criticism of the Communist way of life should be made by example alone. It should be implicit rather than explicit. The presentation should be entirely straightforward, letting the facts speak for themselves.

8. Exchanges of visits between Canada and Soviet Russia, or the satellite countries, would be given good coverage but should be used as a peg on which to hang the projection of Canada. We should try to obtain radio interviews with Soviet visitors for short-wave broadcasts or, if this proves feasible, for broadcast on Soviet radio.

9. The presence in Canada of sizeable ethnic groups from the countries to which we broadcast should be exploited although, of course, the CBC-IS should never be represented as their particular spokesman. The purpose of such programmes should be to promote closer relations and sympathy between Canada and the countries concerned and not to foment discontent against the Soviet and satellite régimes. The material successes of these new Canadians, their satisfaction with conditions in Canada and pride in their Canadian citizenship, their preservation of their native cultures and their continuing love for their homeland should all be made clear, as a demonstration of the reasons why several generations of their people have come to Canada.

Tone of Broadcasts

10. If the above principles are to be followed, great attention should be paid to the tone of our broadcasts which influences the attitude of the listener.

(a) *Restraint*

Individuals in communist-controlled countries are subjected to a constant stream of bombastic propaganda from their own authorities and are apt to discount and disbelieve overt propaganda from the West. Our listeners should be made to feel that we are not trying to convert them, but merely to express and explain the Canadian point of view on matters of mutual interest. Generalized and over-simplified condemnations of the Communist system serve no purpose. Judgment must be made of specific issues and conveyed gently. Phrases loaded with emotion should be avoided at all times — e.g. "bloody battle", "wrath of the Polish people", "hated régime", etc. (The supervisors of the International Service may need to remind some of their talented émigré staff members that they are speaking not as Poles or Czechs or Russians but as Canadians who are by nature considerably less emotional and who take a more detached view of events and conditions in Europe.)

(b) *Vividness*

The vivid concrete image should be preferred at all times to the theoretical and abstract. In discussions of international news, of Eastern European affairs, or of Canada, the facts must be encouraged to speak for themselves. Lectures and homilies should be avoided. Rather than a general discussion of hydro-electric power in Canada, for example, a picture of one particular power station might be presented; rather than figures about the amount of electricity consumed in Canada, the great part played by electrical equipment in our daily lives could be illustrated. Direct evidence should be used whenever possible — interviews with people, including visitors and immigrants, actuality broadcasts, etc. The criterion for any programme should be that it is alive and of interest to a reasonably wide group of listeners. If it is dull it will be a failure.

(c) *Respect for the Listeners*

A continuing effort should be made by the authors of scripts to place themselves in the position of their audience and to show respect and consideration for the listeners' intelligence, common sense and national pride, and to show appreciation of the difficulties under which they live. Preaching and moralizing should be avoided. Listeners should not be told as news, facts about their own country which they know all too well such as the shortage of housing, the high cost of living, long hours of work, etc. These facts can be referred to but they should be used intelligently and sympathetically in a way which will not antagonize the listeners.

In discussing problems of a free society, we should not apologize for them or explain them away, but by describing how we are tackling them, demonstrate what is meant by freedom. Rather than condemning communist actions, questions should be asked to exploit the puzzling discrepancy between the dictates of common sense and the communist policy underlying the event. Sharp hostility should be avoided — the attitude should be that of an interested observer. Improvements in the communist régime should be welcomed and hope expressed for their extension.

11. The above suggestions for moderation in tone should not mean any weakening in the force and effectiveness of our broadcasts to the Soviet and satellite area. They are put forward in the hope that what the International Service has to say about world affairs and about Canada will have a greater chance of influencing the target audience.

II.

12. While the above principles should be followed in all of the services to Eastern Europe, the different situation in the countries concerned will require some variations in approach.

Russian Service

13. It should be remembered that an entire generation of Russians has lived under communism for their whole lives and that the possibility of a counter-revolution has long since disappeared. Material conditions have improved substantially in the USSR during the past few years and the people are not basically dissatisfied with the Soviet system. They are conscious of the USSR's strength as a great power and are proud of their national achievements. They have also been so thoroughly imbued with their own peace propaganda that they are inclined to believe that all threats of war come from the "imperialist" camp. However, the intellectual and political developments of the past three years — the destalinization campaign, the encouragement of criticism, discussions of "democratization" and decentralization — are evidence that new ideas are appearing and offer new opportunities for the West to force the Russians to think for themselves. In attempting to reach their minds, our efforts should be concentrated on dispelling the ignorance and misunderstanding caused by their isolation from the rest of the world, and on encouraging the native desire for a more liberal régime.

Ukrainian Service

14. Although the Ukrainian service of the CBC-IS owes its existence to direct pressure from the various Ukrainian associations in Canada, its programmes should not be allowed to differ in any significant way from those of the Russian service and should be guided by the same general principles. It should avoid any tendency to identify itself with the Ukrainian community, although naturally it will use the strong Ukrainian element in Canada as a means to obtain the interest of the Ukrainian listeners.

15. It is not the policy of the Canadian Government to advocate the setting up of an independent Ukrainian state, and our broadcasts must not give a false impression on this point. We recognize that the Ukraine has a strong cultural tradition which ought to be encouraged and maintained, although we believe that an independent Ukraine is politically unobtainable so long as the USSR remains a major power. We should encourage the Ukraine to foster their cultural traditions and keep them informed of the strong interest in preserving Ukrainian history in Canada. In commenting on the trend towards liberalization we might suggest that the Ukrainian S.S.R. should be granted a genuine federal relationship within the Soviet Union. The analogy of the federal solution in Canada to our binational problem might be demonstrated.

16. It is likely also that the Ukrainian audience of the CBC-IS is predominately rural and the Ukrainian service should bear this in mind in its selection of programme material. Greater direct use might be made of Canadian-Ukrainian material in the form of actuality broadcasts, interviews, etc. The Return to the Homeland campaign should be countered by demonstrating in live broadcasts the attractiveness of life for Ukrainians in Canada. CBC-IS should make use of the special nature of the Ukrainian community to add interest to its broadcasts to the Soviet Union, but should not allow itself to be used by the Ukrainian community.

Polish, Czech and Slovak Services

17. As the evidence shows that the Communist régimes in Poland and Czechoslovakia have not captured the support of more than a minority of the people of these countries, it

can be assumed that nearly all of the listeners to our programmes in these countries will show some sympathy for the Western point of view. Our broadcasts, therefore, should give the impression that they are directed to friends who have known something about Western culture and traditions, and who can conceive of alternative solutions to problems more readily than can the Russians.

18. Our broadcasts should show an awareness of the ferment going on in the satellite countries, sympathy for the struggle of an area which has long lacked economic development and suffered from rural unemployment and appreciation of the desire of the people for a better standard of living and greater freedom. At the same time we should not lecture them, nor, as outsiders, either attempt to advise them how to fight their battle or hold out false hopes of "liberation" which could only be brought about by a major war. They should be encouraged to continue in their struggle to achieve a better and freer life in an alien system which has been imposed upon them.

19. Any tendency towards Titoism in the satellite governments should be welcomed. Our broadcasts should appeal to the national pride of the Czechs, Poles, etc., and encourage them wherever possible to assert their independence of the Soviet Union. We must recognize that the satellites, for geographical reasons alone, will be forced to maintain some kind of alliance with the USSR but it can be suggested that it need not be complete domination and that the people of these countries should not allow themselves to be exploited. In this connection the Russian colonial treatment of the satellites in matters of trade, investment, etc. can also be brought out.

4e PARTIE/PART 4

RELATIONS AVEC LES SATELLITES SOVIÉTIQUES
RELATIONS WITH THE SOVIET SATELLITES

521. DEA/50128-B-40

Note du chef de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division,
to Under-Secretary of State for External Affairs

SECRET [Ottawa], January 17, 1956

RELATIONS WITH THE SOVIET SATELLITES

I attach herewith a paper which I have prepared on this subject. It attempts to examine recent developments in the Satellites and Western policy with regard to them. It concludes with a few suggestions as to how we might take the initiative in this field.

2. It is, of course, rather speculative, and I should be grateful for your comments.

3. If you think there is any value in my suggestions we could try them out on the Foreign Office, and get the reactions of some of our missions.

R.A.D. FORD

[PIÈCE JOINTE/ENCLOSURE]

Note du chef de la Direction européenne

Memorandum by Head, European Division

SECRET [Ottawa], January 18, 1956

RELATIONS WITH THE SOVIET SATELLITES

We have given a good deal of attention in recent months to our relations with the U.S.S.R., in the light of recent modifications in Soviet tactics.[53] But we have neglected almost completely the question of our relations with the European satellites of the Soviet Union, and have tended, in fact, simply to assume that they should be treated as appendages of Soviet policy. I think there is good reason to take exception to this theory, and I have therefore reviewed the situation with the aim of seeing if our present policy is satisfactory and, if changes are required, what they might be. This paper represents a first examination of the subject and, as in all attempts to deal with Soviet policy, is highly speculative.

Recent Developments in the Satellites

2. The slight easing of tensions in the past year between East and West has not brought about any significant change in the relationship of the satellite countries and the Soviet Union, and only a slight improvement in their relations with the West. Their governments still remain puppets of the Soviet leaders in Moscow, servile to Soviet political and economic ends, and dependent on the USSR for support against a predominantly hostile, oppressed populace.

3. The communist governments of Eastern Europe continue to keep a tight hold over their peoples. Economically the drive is still towards greater industrialization and collectivization, with the result that, as in the USSR, agriculture lags behind industry in per capita productivity. Production and trade have been oriented toward that of the Soviet Union, and very close industrial links developed. This economic dependence has become an important deterrent against the risk that these countries might try to break away from the Soviet orbit.

4. Some minor concessions have been made in the past year. In some of the Eastern European countries the people seem a bit better fed and clothed than in previous years, although the overall grim, shabby poverty remains. Following Khrushchev's emergence to power, most of the satellite governments again followed the Soviet line by stressing heavy industry at the expense of consumer goods. However, while cabinet shuffles occurred in Hungary and Roumania, there were no major purges nor extra harshness in domestic policy. The Russians made a number of moves designed to shift their dominance over the satellites from overt to covert control; these included the relinquishing of their share in the joint stock companies seized as part of war reparations, the withdrawal of a number of their troops from Hungary and Roumania and the establishment of the Warsaw Pact ostensibly on the basis of equal sovereign association. Moscow has also permitted the satellite governments to increase considerably their trade with Western countries. Besides the Czech arms deal with Egypt a number of agreements have been reached involving exchange of Western surplus agricultural commodities for satellite industrial products. These represent marginal purchases on the part of the Satellites however, for they have shown little interest in multilateral trade or in adjusting the exchange value of their cur-

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[53] Voir/See Volume 21, Document 530.

rency, which in most cases is closely tied to the rouble, to a realistic dollar or sterling rate. Recent indications are that a substantial part of Eastern Europe's new export trade may be directed for political reasons to the under-developed countries at prices below cost.

5. At the present time, despite the largely passive antagonism of the people, the communist governments of Eastern Europe seem to be well entrenched. Through the existence of Soviet troops, the highly organized terror of the secret police and the monolithic structure of government and party organization, the expression of effective opposition in any overt form has been impossible. The failure of the West to elicit any real concessions from the Soviet Union at the two Geneva Conferences seems to have, at least temporarily, extinguished many of the hopes of those who looked to us for liberation.

Soviet Intentions in Eastern Europe

6. The Soviets have gained considerable advantage by maintaining real control over the countries of Eastern Europe. These countries serve as a buffer zone against the "hostile, capitalist camp" of the West, and their addition to the Soviet orbit has added prestige and military and economic power to the USSR. They also count as additional communist voices in the international agencies and conferences which they attend. The economies of these states have been diverted away from their normal type of production and marketing in order to serve the ends of Soviet planners. Through these economic and political ties the USSR hopes that in the long run all of Eastern Europe will succumb to a permanent form of communism which does not require Soviet armed might to preserve it. Finally, the mere continuation of their control greatly strengthens Soviet bargaining position in any top-level discussions to reduce international tensions.

7. It seems quite certain that government leaders in the satellite countries do not wish to see the effective withdrawal of Soviet control. Aware of their growing isolation from the people, they look to the Soviet Union for their own preservation, and are as a result inclined to be even more rigid in their policies than the Soviet authorities. The likelihood of their attempting some type of Titoist independence is remote, for not only do they lack the popular support necessary to offset Soviet sanctions, but their borders are also much more vulnerable to Soviet pressure than that of Yugoslavia. Furthermore the satellite leaders have been chosen by and are wholly compromised creatures of the Kremlin, and so long as the entire machinery of police control and propaganda is in their hands no alternative to Soviet communism has any chance to develop. Where some degree of liberalism is permitted it generally indicates Soviet confidence in the reliability of the satellite and its government. It is highly significant that the most "liberal" of the satellites, Poland, is also the country which seems to be regarded most favourably by the USSR.

8. It is possible, however, that the Soviet leaders realize that totalitarian control over people who are historically hostile to Russia cannot be maintained indefinitely. Undoubtedly they, as do the communist régimes in these countries, realize how widespread is the discontent and opposition. Their *rapprochement* with Tito and the settlement of the Austrian Peace Treaty did much to stir popular hopes in the prospects for eventual freedom or at least Yugoslav-type national independence. It is perhaps significant that the supporters of Rajk in Hungary and Slansky in Czechoslovakia who were purged for "Titoist activities" have been edging back into favour in the past few months, undoubtedly as a consequence of the Belgrade Declaration in May.

9. There can be little doubt that if there is a change in the relationship between the USSR and the countries of Eastern Europe it will come about at the time and choosing of the Soviet leaders. It has become quite apparent that the West will not resort to armed force to

liberate the satellites. Thus as long as the Soviet leaders construe it to their net advantage to continue their hold there is little likelihood that their domination can be overthrown.

Western Policy towards the Satellites

10. The leading Western nations, while in general agreement with regard to the satellites, differ somewhat in their policies towards the governments and peoples of the satellite countries. The United States has taken a more rigid stand concerning communist domination of Eastern Europe, and has continued to demand publicly that the USSR end its domination and grant freedom to the people of these states. As late as Dec. 31, 1955, a White House press statement, approved by President Eisenhower states: "The peaceful liberation of the captive peoples has been, is and will continue to be a major goal of United States foreign policy".[54] This decision is predicated on the assumption that it is the duty of the West to keep alive the hope that through Western firmness the Soviet Union will be forced at last to relinquish its hold. In practice the United States Government has, while recognizing some of the régimes, publicly disapproved of them and when possible avoided close association with them. It has unofficially endorsed the aims of Radio Free Europe and officially sponsors the more moderate Voice of America broadcasts directed to the peoples themselves. Recent indications are, however, that the U.S. is perhaps moderating its views on the subject, e.g., the toning down of its Voice of America broadcasts and President Eisenhower's proposal to Congress to export agricultural surpluses to communist countries.

11. There is some disagreement among other Western governments with this approach as being too inflexible and unimaginative. They consider that as long as the Soviet Union maintains its hegemony over the satellite countries there is little possibility for "peaceful liberation." To continue to espouse publicly this cause without being able to take any effective action will in the long run only convince a despairing people that the West is being weak and hypocritical. They argue that we should take every opportunity to deal with the communist régimes in order to promote increased contacts with the West and possibly to modify internal conditions in the satellites.

12. The French Government in the last year has taken the lead in responding to Soviet, Czech, Polish and Hungarian overtures, especially in the cultural field. By increasing the area of contacts they hope that enough "free aid" will permeate the Curtain to offset whatever political capital the communists hope to achieve. Such a policy, they argue, permits greater flexibility than does the U.S. approach, it provides us with greater opportunity to expose subtly the arbitrary restrictions, injustices and exploitation incumbent in Soviet domination, and it enables us to encourage a spirit of independence which may force the satellite régimes to grant concessions.

13. Yugoslavia, as might be expected, has adopted a third course. While espousing communism *per se*, President Tito has condemned the continuing rule of unpopular régimes dependent on Soviet support and hostile to Yugoslav independence. He has, with considerable success, urged all the satellite governments to follow the Soviet lead, recant, and restore on Yugoslav terms, old commercial and cultural ties. There is little indication, however, that he has modified his basic distrust of most of the régimes, especially Hungary's, and he has not reduced Yugoslav defences, which are largely on the frontiers with the satellites.

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[54] Voir/See United States, Department of State, *Bulletin*, Volume XXXIV, No. 864, January 16, 1956, pp. 84-85.

14. Students of the satellite question can generally be divided into two groups, those who discount the possibilities of Titoism and advocate a firm policy towards the satellite régimes, and those who urge a moderate policy towards the régimes in order to stimulate tendencies of independence. Those in the first group predicate their policies on the same assumption as does the United States, — that to co-operate with the communist governments tends to lend official sanction to their actions. They consider that members of these régimes neither wish for nor are able to achieve Titoist type independence, and that in fact their long run aims are for closer orientation towards the USSR. It would be folly, therefore, to play into the hands of the communists by co-operating with the puppet governments; rather we should direct our attention to the plight of the people, expose the ruthless actions of their governments and hold on to our hope that "peaceful liberation" is at least fairly close at hand.

15. This policy stems largely from United States internal political considerations. The Republicans gained a large number of votes in 1952 from persons of Eastern European origin and the Eisenhower government would find it difficult to depart publicly from the policy of "peaceful liberation." More positive objections, however, are that incitement to oppose the régimes in Eastern Europe, without any positive assistance from the inciters, in the long run is against the interests of both parties, particularly if there seems to be very little hope of liberation. It can lead only to hypocrisy on the one hand and disillusion on the other, for, if active incitement is used it runs the risk of sparking a hopeless revolt. All that can be said for it is that it keeps the Soviet government on the defensive, as witness the immediate reaction to President Eisenhower's Christmas message.

16. Those of the second school of thought argue that while rejecting the dictatorial nature and ends of the satellite régimes, we should recognize that they are firmly established, and will continue to be so as long as the USSR maintains its hold. The argument runs that efforts directly on behalf of the people are futile, and that the only real hope for amelioration of conditions is through the possibility that the régimes themselves will acquire greater national independence and more liberal policies. While the chances for democracy as we know it are remote, (only Czechoslovakia has any real tradition of democracy, and it spans but a 20-year period) through greater trade and direct contact we might well encourage such Titoist tendencies as exist. For a large segment of the population of Eastern Europe have long had close religious, economic, cultural and political ties with Western Europe, and still feel themselves "Europeans" in a sense few Russians ever did.

17. The reaction in the satellites to the two Geneva conferences illustrates the difficulty in choosing between the two policies. Before Geneva I, a large number of persons, in Czechoslovakia at any rate, seriously believed that the heads of state might, under Western pressure agree to organize free elections. The "spirit of Geneva" resulted in a feeling of betrayal; if the situation was hopeless, anti-Communists in Eastern Europe argued, it would be better for the remnants of the bourgeois classes to make their peace with the régime. But the effect on the satellite régimes seems also to have been unsettling, and may be one of the reasons which prompted Moscow to take a strong line at the second Geneva Conference. In particular, the Russians probably wished to scotch the idea that they might be prepared to sacrifice their satellite régime in East Germany.

18. Put briefly, then, the dilemma can be summarized as follows. The policy of ostracism is related principally to the question of relations with the USSR, and is intended to be one way of keeping the Russians on the defensive. But it also runs the risk of alarming the Russians and of convincing them of the aggressive intentions of the West. It has little effect on the satellite régimes except possibly to force them into even more absolute dependence on Moscow, and it has practically no hope of achieving its end of "peaceful liberation."

19. The policy of improving relations with the satellite régimes recognizes the impossibility of overthrowing these governments, but hopes to be able gradually to modify them with the ultimate aim of creating more Titoist régimes, or at least of modifying their dependence on Moscow. It runs the danger in the interim period of discouraging the anti-communist elements in those countries and of strengthening the communist governments. It proceeds, however, on the assumption that Eastern Europe is the weakest and the most "Western" part of the Soviet bloc, and therefore the area most fertile for western activity.

Conclusions

20. Canada should, I believe, follow a course between the two alternatives outlined above. Naturally we agree in private with the hope for "peaceful liberation" of the satellites but to the best of my knowledge we have never officially associated ourselves with the U.S. policy. At the same time we have attempted to avoid policies which are unduly provocative and self-defeating.

21. I am inclined to discount the possibility that any of the satellite countries could independently adopt a Titoist role. At present Soviet control is too tight for this to happen, — any apparent relaxation seems due not to satellite pressure but rather reflects the degree of confidence which the USSR has in their docility. This means that Soviet leaders, if they wish to give the impression of loosening their control, have room for manoeuvre without altering the realities of the situation. The only two issues which would really indicate Soviet relaxation, — free elections and the complete liberalization of East-West contacts — are unacceptable to them.

22. However even if we rule out the possibility of Titoism among the satellite governments, I think it would be unwise to take a rigid non-cooperative attitude. Instead I believe that, while making it clear that we disapprove of their totalitarian tactics, we should adopt a policy of promoting greater contacts between the satellite countries and the West. We could, where not to our disadvantage, encourage commercial and technical exchanges, especially with those countries which like Czechoslovakia, Poland and Hungary have shown an interest in trading with us, and also encourage such cultural links as sports exchanges, the exchange of films, packaged radio broadcasts, documentary publications, and artists and technicians. We could perhaps also ensure that the tone of our C.B.C.-I.S. broadcasts is in keeping with these aims.

23. In this connection, I have long felt that Chancellor Adenauer and others were justified in their complaints that Western — and particularly United States — propaganda to Eastern Europe was far too prone to stress the material achievements of the industrialized Western states and their relatively luxurious level of personal consumption. As the Chancellor has recently reiterated in his year-end statement (which has since been elaborated in an official German Government Bulletin entitled "Conflict of Ideologies") — "We are in danger of recognizing the very materialism we are trying to oppose as the basis of life and society. We would wind up in the grotesque situation in which the Russians would only be materialists in theory while the Western peoples would be materialists in their manner of thought and living".

24. This point of view is, it seems to me, particularly applicable to the problem of what to say to the Eastern European peoples. Certainly economic conditions in Eastern Europe are bad and Western propaganda should not miss the opportunity of rubbing in the imposed sacrifices which the consumer in Communist societies is compelled to make for the sake of the very rapid expansion of heavy industry and the building up of the military machine. But by and large the Eastern European peoples are not anti-Communist because they are being deprived of refrigerators. They are anti-Communist because they feel that Commu-

nism is opposed to the whole basis of European civilization which is broadly Christian in faith and liberal in political practice. This is the Europe from which these people now feel themselves forcibly cut off. This should, therefore, be the core of our appeal to the Eastern European peoples. After all, in another five or ten years Communism will probably be able to give them refrigerators. But Communism will give them our Western values only, as Khrushchev said last September, "when shrimps learn to whistle".

25. The suggestions outlined above are very general, and we should examine each step with the utmost care. One probable result, which we wish to avoid at present, is that the satellite countries will make increasing demands for the exchange of missions or the establishment of trade representatives and/or consulates here.

26. If the new Soviet tactics are to continue, and all the evidence points this way, we can expect determined Soviet efforts, by diplomatic means and coupled with offers of economic aid, to weaken the Western alliances in Europe, and in the Middle East and South-East Asia. It seems to me that the West might equally try to exploit this new period which we are approaching by a diplomatic and political offensive against the Soviet bloc. I think an offensive of bluster and hostility will be ineffective against both extremities — China, and the European satellites. But I equally think that a more skilful and more determined attempt to detach them from the USSR would at least have an unsettling effect on Russia, even if we were not able to achieve our ultimate goal.

27. The first step we ought to take is to try to establish closer contact with the satellite governments and peoples, and the opportunities for this are opening up. We should then make it clear that we have no intention of trying to change the social systems in these countries, either by force or otherwise. It is up to these countries to decide by themselves their form of government. We only object to this form of government being imposed from the outside. We should make it clear that we are not advocating a return to prewar régimes, most of which, with the exception of Czechoslovakia, would probably by now be quite unacceptable to the people. We should equally make it clear to the Russians that we recognize their legitimate security interests in Eastern Europe and attempt in some way to reassure them that a relaxation of Soviet control would not mean the immediate extension of United States and NATO influence up to the frontiers of the USSR.

28. I am not suggesting that this is very easy to work out, or implement, or that it really stands much chance of success. Under present circumstances it seems highly unlikely that the Soviet Union would contemplate any major change in the satellites, the control of which are essential to the USSR for strategic, economic and political reasons. But we must look forward a few years, and it is not inconceivable that the USSR might consider that the present form of control, of which the costs are undoubtedly high, was more of a liability than an asset, and contemplate a change in the nature of their control. The withdrawal of Soviet participation in joint economic enterprises indicates, among other things, that the Soviet bloc economies are so well integrated that this kind of formal control is no longer necessary.

29. Politically the Soviet Union can be expected to grant freedom of action to those satellite governments which it considers most firmly in the saddle and least likely to deviate from the Soviet line. Strategically, the Soviet Union obviously does not want along its European borders countries closely aligned with the West. However, depending on the degree of its political and economic control, and in the light of modern military thinking, it might be less concerned with having access to satellite territories for large numbers of its troops. It might, for instance, be content with an early warning system in the satellites linked with that of the Soviet Union, perhaps coupled with a mutual security guarantee

from the West or a strengthened E.E.T.O. based on a greater degree of sovereign association.[55]

30. All this is, of course, highly speculative. However, if it could be tentatively accepted that some other form of control is possible, then I think it is worth considering what course of action on our part might best promote such a change. Certainly it is time we recognized that a public policy in favour of "peaceful liberation" is not only unrealistic and ineffective, but because of its aggressive tone it also provides Soviet leaders with an excuse not to make concessions. As an alternative perhaps it is worth considering whether we might take the offensive to the Russians in another way by proposing that a neutral status similar to that of Austria, with free elections, be accorded the satellites. They would not accept it, but it would have these advantages:

(a) it would show the Soviet Union and, more important, the uncommitted nations, that the West does not necessarily insist on the extension of Western control over the satellites;

(b) it would show that we are seriously concerned over the fate of the people of the satellites for themselves, and not just as pawns in the East-West struggle;

(c) it would seize from the Soviet Union some of its initiative in the promotion of neutralism in, for example, India;

(d) it would show that we are concerned not with the form of government in the satellites, any more than we are concerned with the existence of a communist régime in Yugoslavia, but merely with the domination of satellite governments by the Soviet Union.

It is, in fact, the old plea for self-determination, with the one limitation of permanent neutrality.

31. Any suggestion that the objective of the Western Powers should be the neutralization rather than the liberation of Eastern Europe would, I feel sure, encounter a good deal of opposition not only for domestic political reasons (as in the United States and Germany) but because of the recent history of the idea of Central European neutrality as it has developed during the past year. When the Western Powers reluctantly agreed to the neutralization of Austria as the price for an Austrian State Treaty last Spring, it will be recalled that there was a good deal of talk about the application of "the Austrian model" to Germany. Soviet propaganda deliberately fostered this obvious parallel and used it to play up the German opposition to Chancellor Adenauer's policy of military alignment with NATO and the West. To counter such propaganda, the Chancellor insisted that the future united Germany must be free to choose its political alliances. At the Summit Conference in July, Sir Anthony Eden suggested that Eastern Germany at any rate might be de-militarized. This idea might have been expanded to include a neutral belt (in the military sense) extended from the Baltic to the Adriatic comprising not only Eastern Germany and Austria but Yugoslavia and some or all of the satellites — the whole package to be wrapped up in the context of a general European Security Treaty between East and West. It foundered because the USSR would not accept reunification of Germany through free elections as the precondition, still less the neutralization of the satellites.

32. In view of this recent history, any Western proposal or propaganda now directed towards neutralizing the Eastern European satellites would immediately awake echoes of the "neutral belt" which would include part of Germany — or, in the Soviet version, all of Germany. Such a proposal might therefore be opposed in Washington and in Bonn. Nevertheless, for the reasons I have already given I believe that such an initiative *applied only to*

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[55] Note marginale :/Marginal note:

airfields investment counters this point [auteur inconnu/author unknown] *the satellites* is worth a try and would represent a more realistic line than the doctrine of "liberation". Even if the United States could not change their tune in an election year, there is no reason why other NATO members might not place the accent more on neutralization, though it would be more convincing if the West were prepared to offer some *quid pro quo*.

33. The suggestions made in para. 30 would be, I recognize, almost exclusively a propaganda move, and there are many details of such a proposal that would have to be worked out carefully. Nevertheless a policy of publicly urging Soviet concessions along these lines would complement our general policy of encouraging trade, exchanges and contacts with communist countries on an *ad hoc* basis. It would, I think, allow greater flexibility of diplomatic negotiation and still not break faith with the subjugated peoples of Eastern Europe. I was doubtful last July of the advisability of raising the question of Soviet control of the satellites during the Summit Conference, in part because I thought it would wreck the chances of anything useful being done about Germany, and it was better to explore the new Soviet intentions first. Now, however, that the Russians have shown that they intend to maintain their hold on Germany, I think we should go over to the offensive on the satellites. If the Russians want peaceful competitive co-existence, then we ought to give it to them, but this means skill and imagination on the diplomatic front, as well as building up our military defences and consolidating the NATO alliance.

R.A.D. FORD

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522. DEA/50128-B-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], June 12, 1956

I am attaching for your consideration a paper prepared in the Department entitled, "Relations with the Soviet Satellites". The following is a summary of the main points made in the paper:

(a) The military, political and economic significance of the European satellites to the USSR is so great that Moscow almost certainly regards the maintenance of effective control over the area, though not necessarily in its present form, as an essential element of its power position, and will continue to do so unless there is a drastic revision in Soviet strategic and political thinking.

(b) The satellite régimes, though unpopular, are firmly entrenched, and there is no present possibility that dissidence in the satellites will lead to a reversal of the social system.

(c) Nevertheless, the changes which have been taking place recently are substantial. They spring from the Soviet rapprochement with Tito, the new Soviet line as laid down at the 20th Party Congress, and some pressures of a national and economic nature within the satellites.

(d) The changes are in the direction of some liberalization of satellite policies, more freedom of contact with the West, and more freedom of national, as opposed to Soviet-orientated, expression.

(e) The changes may offer some hope of a degree of Titoism in the satellites, a development which would be welcome to the West.

(f) The West should make a new and positive approach to the satellite countries by treating them as if they were independent entities rather than one uniform appendage of the Soviet Union; by encouraging trade in order to weaken the dependence of their economies on the Soviet Union; by encouraging the exchange of information and visits, though not to the exclusion of exchanges with the USSR; and, in our propaganda, by welcoming the improvements which have taken place and encouraging the satellite public to ask for more.

I am also enclosing a series of articles on the satellites by C.L. Sulzberger which appeared in the *New York Times* during April and May.[56]

In developing a new approach to the satellites, we should emphasize that we have no aggressive intentions toward the Soviet bloc and no intention of trying to change their system by force. Our object is to wean them away to some degree from extreme dependence on the Soviet Union and to encourage any developments which will ameliorate the lot of the satellite peoples.

Our policy towards the satellites up to now has been ambivalent. We have tended to ostracize their governments, even those with which we maintain direct diplomatic relations, though we have avoided any direct endorsement of the policy of "peaceful liberation", which, incidentally, Mr. Dulles seems to be abandoning in favour of a more flexible and pragmatic approach, having in mind the possibilities of Titoism.

With a new situation developing in the satellites, particularly Poland and Czechoslovakia, I think the time has come to try to evolve a more positive policy based on the acceptance of the social revolutions in Eastern Europe, and in the hope that the satellites will gradually evolve in the direction of national communist régimes. We cannot expect an exact repetition of Titoism because conditions are different in each republic, but there are greater signs now of an incipient stirring of national feeling than there were in Yugoslavia before June, 1948.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note du chef de la Direction européenne

Memorandum by Head, European Division

SECRET Ottawa, June 12, 1956

RELATIONS WITH THE SOVIET SATELLITES

A. INTRODUCTION

There has been a ferment in the European satellites over the last few months, and it is important that we examine closely the motivations for and the extent of the changes which have taken place. It is the thesis of this paper that the changes are significant ones, that they may portend a substantial change in satellite policies, and that the present period offers a number of opportunities for Western policy toward the Eastern European countries. Its object, therefore, is to examine the changes and to suggest a more positive approach toward these countries.

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[56] Voir/See *New York Times*, April 18, 1956, "American Policy in Eastern Europe I"; April 21, 1956, "American Policy in Eastern Europe II"; April 23, 1956, "American Policy in Eastern Europe III" et/and May 16, 1956, "Some Differences Among the Satellites".

The basic assumptions are, (a) that the military, political and economic significance of the satellites to the USSR is so great that Moscow almost certainly regards the maintenance of control over the area (though not necessarily in its present form) as an essential element of its power position; (b) that, despite their general unpopularity, the communist régimes are firmly established and that the social revolutions which have taken place are not reversible; (c) that Western policy toward the satellites must be drafted with these two realities in mind, and that the West must further convince the Soviet Union that we have no aggressive intentions and no intention of trying forcibly to change satellite systems of government.

Any complete examination of the position of the satellites within the Soviet bloc and of Western policy toward the satellites must examine the following questions:

(a) The requirements of the USSR from this area, and the requirements of the satellite régimes from Moscow.

(b) The substance of Soviet control in the area and the effect thereon of recent developments.

(c) The meaning of "different roads to socialism", the motivations of the Soviet leaders in propounding the new doctrine, and the extent of its applicability to the satellites.

(d) The economic needs of the region and the efficacy of Soviet economic policy to meet these needs. How far the trade pattern and the relatively low degree of industrialization has really made this region dependent on the USSR, and to what extent it could find Western markets if freed of Soviet control.

(e) The extent and nature of satellite trade with the USSR, with the West, and with the under-developed areas. The motivations within the bloc for the recent emphasis on non-bloc trade.

(f) The contribution of the satellites to the defence of the Soviet bloc.

This paper is written with the major emphasis on political content. It does not treat all of the above questions in as thorough a fashion as a more detailed examination would permit. For that reason, it should be regarded as a tentative assessment, subject to possible revision after more detailed examination of the technical problems.

B. RECENT DEVELOPMENTS AND CURRENT SITUATION

Political

The Soviet rapprochement with Yugoslavia and the pronouncements of the 20th Congress of the CPSU have set the pattern for all the recent developments within the satellites, though internal pressures are also present. The restoration of good relations with Yugoslavia spelled trouble for the satellite leaders still in power who had been particularly vehement in their denunciation of Titoism, and made possible, and even necessary, the rehabilitation of the "national" communists. Gomulka in Poland, Rajk in Hungary, Kostov in Bulgaria, all of whom had been accused of nationalist and Titoist deviation, have been rehabilitated, the last two posthumously, and a number of Stalinists are falling from grace. Premier Chervenkov of Bulgaria resigned and was replaced by Yugov, a "national" communist. Stalinist ministers and deputy ministers have been forced to resign in Poland, Czechoslovakia and East Germany. The fact that Rakosi, a known Stalinist, hated in Hungary and by Tito, is still in power, may indicate that there is no one else strong enough to rule. Even in this case, a rapprochement has been reported between Yugoslavia and the Rakosi régime. There is reason to believe that popular pressure, rather than the Russian example or Soviet pressure, was responsible for the rehabilitation of a number of political prisoners, especially in Poland and Czechoslovakia, and it may well be that events are moving faster than Moscow expected.

The recent dissolution of the Cominform must be viewed as a further concession to Tito. It has virtually no significance for Soviet-satellite relations, and little except in the propaganda field for Soviet relations with communist parties abroad. At no time has it served as the channel of instructions either to the satellites or to communist parties.

The main themes of the 20th Congress — destruction of the "cult of the individual", the principle of "collective leadership", "different ways to socialism" and "peaceful co-existence" — have been taken up by the satellite parties, but with a considerable degree of hesitancy and confusion. The denigration of Stalin seems to have had a much more unsettling effect in the satellites than in the Soviet Union itself, many of whose leaders must be considered Stalinists. Poland has been the most outspoken in the intensity and tone of this campaign. Rumania and Albania have been the most reserved. Intellectuals, students and even Party members, have been asking frank and disturbing questions and are uncertain as to how far they can go in their interpretation of the new line. Students have been notably affected at seeing much they were taught to believe smashed to the ground. Indeed the widespread signs of student and young people's unrest is a clear indication that the régimes have not been very successful in their indoctrination programmes. But in the midst of this confusion, few have dared to criticize the socialist system itself and the reaction of the non-Party masses, although not obvious, is probably similar.

Local party leaders, security officers and other government officials have been widely criticized for taking too much power into their own hands. Numerous accusations have been directed against those who used the methods of Stalin and Beriya in violations of "socialist legality". A number of high officials in the court and security organs have been fired. The criminal codes are being revised with respect to non-political, as well as political, crimes and less reliance is being placed on force. There has been a slight easing of restrictions on religious practices although many victims of religious persecutions are still in prison. Apart from the political prisoners, a number of other prisoners have had their sentences shortened or have been released. These steps may go a long way towards making the present régimes more palatable to the people and reduce the incentive to change. These measures have gone furthest in Poland, but East Germany and Hungary appear to be still under rigid police control and it is unlikely that controls will be lessened enough in any of the satellites to permit weakening of Party authority.

The new Soviet line has extended into the cultural field in the satellites. For some months now there has been an easing of restrictions on cultural exchanges with Western countries as well as increasing criticism of cultural efforts which were losing all artistic value through stereotyped conformism. Since the 20th Congress, criticism has become more violent. Architecture has been branded as unimaginative and impractical, literature and art for being uncreative and hampered by ideological restrictions. It is now recognized that scientific research was being harmed by Party interference and that scientists should not be forced to make their conclusions fit the Party line. If this trend continues, Western culture will be more acceptable in these countries and cultural exchanges will be more feasible.

Appeals are being made within the satellites, especially in Poland and Czechoslovakia, for the good-will and co-operation of socialists not only within their own countries but in other countries as well, e.g., in Italy and France. This policy has presumably necessitated the rehabilitation of many former opposition leaders, for example, some of the Social Democrats in Hungary and former members of the Polish partisan army. Wide political amnesties begun in 1955 are continuing. It may be noted, however, that most of the political prisoners who have been released are broken men no longer in a position to gain political power so that there can be little hope that the new "liberal" policies may provide a leadership for the eventual overthrow of the present régimes.

There is a great deal of talk of the "democratization" of the present régimes although there has been little action as yet to give substance to this. More discussions and criticism within the parties and greater popular participation in the government is called for. Poland is trying to widen the powers of its Parliament and reports of the recent session indicate that parliamentary committees have been debating government proposals for the first time in years. To date, however, the criticism has been no more than criticism of bureaucratic inefficiency and injustice. It has not been criticism of fundamentals, and cannot be as long as one-party rule persists, and to that extent has little relation to Western concepts of democracy. There is no evidence that the communist parties in the satellites intend to relinquish real control to government organs. In the major speeches by Party leaders, emphasis has been placed on increased control by the Party and it can be safely assumed that the communist governments of Eastern Europe continue to keep a tight hold over their peoples and are still very much under the influence and control of Moscow.

Control over the satellites, as well as the close alliance with China and increasing Soviet influence in countries close to the southern periphery of the USSR, has a substantial bearing on the increasing confidence of the Soviet Union in the strength of its position at home and abroad. No longer the lone communist state surrounded by hostile forces, it now considers itself the centre of a great "zone of peace" which is proof, in Soviet eyes, of the correctness of its policies and portent of the eventual acceptance of communism by the whole world. The psychological advantage of having like-thinking allies, with the concomitant of like-speaking and like-voting voices on the international stage, should not be underestimated.

Economic

The economic pronouncements of the 20th Congress did not indicate that the satellites would have greater freedom in the control of their economies. On the other hand, the emphasis is being placed on greater co-ordination of the satellite economies with that of the bloc as a whole and more importance is being placed on specialization. In general, the drive is still, after a slight modification in favour of the consumer from 1953 to 1955, towards greater industrialization and collectivization, although at a pace slightly lower than that which obtained prior to 1953. Poland and Hungary have recently indicated that they will permit more gradual collectivization and less pressure on independent farms, but the ultimate aim remains the same. The decision to industrialize what was originally an area with an agricultural surplus, has not been altered, and co-ordination and specialization will apparently be sought within a broad policy of continued industrialization.

It would appear that communist economic policy in Eastern Europe, in altering the pattern of the economy of the region, has produced a machine which can now export only industrial raw materials and manufactured goods, and must import consumer goods and raw materials. This pattern of trade, resulting from a consistent economic policy, has further tied the region to the Soviet bloc and to the USSR. Recent developments suggest that the aim of economic policy and the associated trade policy is intended to remain the same indefinitely. Behind any expansion of trade which may be permitted between Eastern Europe and the West, there remains a consistent drive toward autarchy, though the notion of autarchy may be expanding to include the bloc as a whole, rather than the USSR. In pursuit of this end, it may be desired ultimately to pre-empt a segment of Western trade in the markets of the uncommitted nations. It is, however, too soon to say precisely what the ends of bloc policy are in this respect.

Some minor concessions have been made to improve the standard of living in the satellites. In some of these countries the people seem better fed and clothed than in previous years, although the overall grim shabby poverty remains. The satellite party leaders have admitted that in the near future at least they will not be able to bring about the improvements in wages, working hours, pensions and consumers goods which the Soviet Union is now in a position to grant to its own people. Some are trying to give workers more incentives to increase production, e.g., proposed increases in wages and pensions in Poland and Czechoslovakia, but these are minimal and not likely to affect seriously the present low standard of living. It seems probable that the people of the satellites will continue to suffer severe hardships in order to serve the ends of the bloc policy. The targets set for the satellites in the new Five-year Plans are unreasonably high and it is significant that when East Germany tried to have its objectives lowered it was refused and told to improve its techniques and productivity.

Defence

Dependence on the Soviet Union extends to the field of defence. The area is of great strategic importance to the Soviet Union. During the past few years the USSR has maintained large forces in the satellites, has intensively developed airfields and communications, has tried to build up reliable satellite forces and has supplied a great deal of modern equipment and arms. Since the conclusion of the Austrian Treaty, continued Soviet military commitments have been rationalized by the Warsaw Pact. The conclusion of this Pact, ostensibly on the basis of equal sovereign association, may give the appearance that the satellites have a certain independence in the field of defence, but this is not borne out by the facts. In an era of aerial warfare, perhaps the most significant factor is the network of airfields constructed for use by Soviet forces, more than half of which are located in Poland and East Germany. Although the satellite contribution to aircraft production is small, the Soviet Union has supplied modern jet bombers as well as equipment and training facilities for satellite air forces. Satellite ground forces are becoming increasingly effective and better-trained. Recent reports indicate that a considerable amount of revamping is occurring in the satellite armies with more emphasis on well-trained and well-indoctrinated personnel. This means that even if the proposed reductions in the satellite armies are carried out, which will probably happen in view of the recent cut in armed forces in the USSR, a hard core of relatively good quality will remain. This will also release large numbers of men to agriculture and industry in an area throughout which a shortage of industrial manpower has been prevalent. The satellite navies constitute a relatively minor contribution to the Soviet bloc naval strength but, in East Germany and Poland, they are not being neglected in the overall defence picture. In addition, a number of atomic projects in the satellites are being subsidized by the Soviet Union and in Czechoslovakia especially, more technical and scientific research is being directed towards military ends. Defence costs still remain an important part of the 1956 satellite budgets. It is thus clear that defence policies will definitely limit the degree of independence which the satellites can obtain from the USSR. The main qualification of this statement lies in the interpretation of the effect of the H-bomb on military strategy. It is possible that in due course, the advantage of the Eastern Europe area of manoeuvre in depth may lose its importance, but for the present we must assume the Russians have not changed their policies.

General

It is apparent from the preceding that developments in the satellites have followed closely developments in the Soviet Union, that Soviet influence remains dominant, and that the communist parties of the region remain in control. The fact that communist policy has not substantially raised the standard of living, and that this region, after considerable industrial growth, must now import food, cannot but have its effect on the more educated classes of the region. It seems likely that realization that bloc policy will continue to call for sacrifices in aid of bloc ambitions in the under-developed areas must also have its effect, although increased trade should do something to improve the lot of the individual. In this situation, a more liberal police and parliamentary policy risks the release of fundamental dissatisfaction. The example of the USSR where, after nearly forty years, no final solution has been found for the simultaneous increase of labour productivity and the maintenance of control, must prolong doubts in the peoples of Eastern Europe, among some of whom, particularly the Poles and the Czechs, the inferences of social logic are probably not so slow to be drawn as among the Russians and other Slavs.

The recent ferment in the satellites has been released as a result of the Yugoslav rapprochement with the Soviet Union and the new Soviet line as laid down as a result of the 20th Party Congress. There is little doubt, however, that while the new developments are in a great measure the result of Moscow's *diktat* and of following the Moscow lead, internal pressures of a political and economic nature, though unorganized, have had their effect. The Soviet-orientated régimes, while firmly in power, are vastly unpopular, and must have felt the need of alleviating the pressures of national pride and the unsatisfied economic needs of the people. We do not know the extent to which these various motivations have brought about the recent changes, but it is fair to assume that an element of each, in varying degrees, lies behind each development, and that some of the motivations offer possibilities for a new Western approach to the satellites.

C. PRESENT WESTERN POLICY TOWARD THE SATELLITES

The leading Western nations have differed somewhat in their policies towards the satellite governments and peoples. The United States have taken the most rigid stand. Ever since the establishment of the puppet régimes they have demanded publicly that the USSR end its domination and permit free elections in these countries. As late as December 31, 1955, a White House press statement, approved by President Eisenhower, stated: "The peaceful liberation of the captive peoples has been, is and will continue to be a major goal of United States foreign policy". In practice the United States has recognized some of these régimes while publicly disapproving of them and avoiding, when possible, close association with them. It has unofficially endorsed the aims of Radio Free Europe and officially sponsors the Voice of America.

This United States policy stems largely from internal political considerations. The Republicans will probably not wish to risk losing the votes of persons of East European origin by departing too far from this policy before the elections. This probably accounts for the fact that little publicity was given to the Dulles-Tito joint statement made after the Brioni visit in the fall of 1955. It is therefore all the more significant that in April of this year Mr. Dulles suggested that a change of U.S. policy towards Eastern Europe was necessary as a result of the recent Soviet emphasis on "different ways to socialism" and the rapprochement with Tito. He recalled the joint statement in which the right of the Eastern European states to "non-interference from the outside in their internal affairs and the right to develop their own social and economic order in ways of their own choice" was recognized. Similar statements encouraging Titoism have been made by George Kennan, former

U.S. Ambassador to Moscow, the American Chamber of Commerce, and the *New York Times*. There may therefore be a possibility of a change in U.S. policy, though it is unlikely that it would be very outspoken until after the elections at least.

The United Kingdom and other Western governments, while sharing the U.S. dislike of Soviet dictatorship over the satellite régimes, have found the U.S. approach too inflexible and unrealistic. They have argued that a policy of propaganda which could not be backed up by appropriate action could only cause disillusionment among the satellite peoples. This point of view was borne out after the Geneva Conferences. The satellite peoples had placed their main hope for liberation on Western Europe and the United States. Some remnants of this hope remained until the First Geneva Conference when it became apparent that the Western countries were not going to use force to organize free elections. The "spirit of Geneva" resulted in a feeling of betrayal and probably resulted in even more people in the satellites deciding to come to terms with the régimes. Discontent with the régimes is widespread in the satellites but to the best of our knowledge, there are no elements of active resistance which could spark open resistance to the régimes under the present conditions of communist control. Realizing the situation, therefore, Great Britain and other Western governments have favoured giving the satellite peoples reports of life in Western countries rather than repeatedly running down the evils of the communist system with which these people are already familiar enough. B.B.C. broadcasts, for example, have been considered valuable by those who heard them because of their factual reporting. In addition, these Western governments have argued that every opportunity should be taken to promote contacts with the communist régimes as well as the satellite peoples and possibly in this way to modify internal conditions in the satellites.

The French Government in the last year has taken the lead in responding to Soviet, Czech, Polish and Hungarian overtures, especially in the cultural field. By increasing the area of contacts they hope that enough "free air" will permeate the Curtain to offset whatever political capital the communists hope to achieve from the aura of respectability and acceptance which stems from contact with the West. They have recently proposed a concerted effort on the part of Western countries to take the initiative in the promotion of cultural exchanges with the satellites. They argue that we should take advantage of the traditional interest which a number of these countries have had in Western culture and that the relaxation of tension in recent months provides the right atmosphere for such a drive. Such an approach provides some opportunity to expose subtly the arbitrary restrictions, injustices and exploitations resulting from Soviet domination and enables us to encourage a spirit of independence which may induce the satellite régimes to grant concessions.

Yugoslavia's policy towards the satellites has changed considerably since its rapprochement with Moscow and especially since the 20th Congress. It has taken advantage of these developments to point out the advantages of Titoism to the satellites. Tito has called attention to the fact that the recognition by the Soviet Union of "different ways to socialism" will enable the satellites to develop their own forms of communist régimes as he has done, though there was no indication at the Congress that this was in Soviet minds. He has taken the initiative in trying to establish old commercial and cultural ties with these countries and since the restoration of former "Titoists" to favour in the latter, there has been a marked increase in commercial and cultural exchanges. Tito has, however, made it clear that this renewed co-operation will not lead to the subservience of Yugoslavia to Soviet Bloc policies. He is perfectly aware of the advantages of maintaining a bargaining position between East and West and it will take more than such outward gestures as the dissolution of the Cominform and the rehabilitation of Titoist deviationists to alter his basic mistrust of the Soviet Bloc as a whole. He dislikes the Rakosi government in Hungary and, although there has been some rapprochement, he has not substantially reduced Yugoslav defences which are largely on the frontiers with the satellites. Nor has he proposed the dissolution of the Balkan Alliance.

D. CONCLUSIONS

The primary Soviet interest in the satellites at the present time is strategic, providing defence in depth for the USSR, the secondary interest is undoubtedly the economic contribution which they can make to the USSR, while the third is the political advantage of control of Eastern Europe. Apart from their contribution to the Soviet economy in raw materials and finished goods, the satellites are providing about fifty per cent of the total credits of the Sino-Soviet bloc to the under-developed areas. The USSR now has, effectively, complete control over the satellite régimes, exercised primarily through the satellite communist parties, but enforced also by economic, military and policy controls. With the possible exception of East Germany in the context of German reunification, it has flatly refused to consider the position of the satellites as subject to negotiation with the West. With the more pragmatic and flexible approach of the present Soviet leaders, certain modifications are possible, designed to take greater account of local conditions, to promote economic development along more national lines, and to placate national sensibilities. Nevertheless, it should be remembered that, in the general absence of popular support, the satellite governments are basically dependent for their existence on close co-operation with and support from the Soviet Union.

The communist régimes in the satellites are firmly established and the broad lines of the present social order are not reversible. Nevertheless, there is factionalism in party leadership which takes the form of national *versus* Soviet control, or an increase in consumer goods *versus* continuing emphasis on heavy industry and collectivization. We do not know the extent to which the factions favouring national control and greater emphasis on consumer goods might pursue their policies were they given a completely free hand. The memory of the only known open revolts against the régimes, in East Germany and Czechoslovakia, both springing from economic discontent, can be expected to strengthen these factions. Nevertheless, it is reasonable to assume that, even if a completely free hand were given, limits would be imposed by the eastward orientation of economies and by the subordination of satellite armed forces to Soviet training, equipment and strategic thinking since Soviet control was imposed on the satellites. The more significant consideration is that the Soviet Union would not be likely to permit a thorough-going revision of satellite policy unless there were to be, at minimum, a drastic revision of Soviet strategic and political thinking. It should also be recognized that fear of traditional enemies (Germany for Poland and Czechoslovakia, Greece and Turkey for Bulgaria) is still strong, often as strong as dislike of the Soviet Union. On the other hand, intra-regional frictions which have a long historical basis cannot be assumed to be completely overcome by the fact of Soviet control over the whole area.

Discontent with the régimes is widespread among the satellite peoples. It is offset by a tendency to become resigned to communist rule the longer communist rule persists, though recent manifestations of student unrest in both Poland and Czechoslovakia are timely reminders of the lack of success of the communist régimes in winning over the Marxist-indoctrinated youth. It is certainly not such as to stimulate important outbreaks of resistance under present or foreseeable conditions. The strongest and most tangible desire of the satellite peoples is probably an improvement in their standards of living, followed by a reduction of physical control by the government and a lessening of Soviet in favour of national control of their countries. Even relatively minor concessions in this direction would go a long way toward alleviating the discontent and enhancing the acceptability and even the popularity of the régimes.

Moscow is not prepared to abandon effective control of the satellites and their régimes, despite unpopularity, are well-entrenched. Within the limits imposed by these facts, we must consider what opportunities are available to the West, and particularly to Canada, to influence satellite policy in the period of "peaceful co-existence". Our ultimate object should be to lessen Soviet control where possible and to encourage some form of Titoism.

The first step would appear to be the abandonment, both privately and publicly, of any hope of effecting liberation within the foreseeable future. We have no intention of liberating by force, and as the satellite peoples are largely aware of this and have accepted the implications, we should cease to foster any false hopes which may exist in satellite and in emigré minds. Even talk of "peaceful liberation" (whatever that might mean) is only likely to make suspect Western intentions in the minds of Soviet and satellite leaders, and is likely to diminish the more modest possibilities of contact and influence which are open to us in the current atmosphere. We must make it quite clear that, while we dislike both Soviet control of the satellites and their forms of government, we have no intention of trying to replace the former by Western control and the latter by Western-type governments. If we hope to take advantage of some greater Soviet pragmatism and flexibility toward the satellites, we must become more pragmatic and flexible ourselves.

If we hope to encourage national rather than Soviet-controlled expression, we must cease treating the satellites as uniform appendages of Moscow with nothing to distinguish between them. They have widely different interests and traditions, despite the common denominator of communist control, and we should take this into account in our dealings with them. In particular, we should try to deal with them independently of Moscow. We might, for example, attempt frank talks with the Poles over our mutual interest in Indo-China, and with the Czechs over arms for Egypt. It might also be educative and encouraging for the others if, perhaps in negotiating a trade agreement, we showed our willingness to grant concessions to them in return for real concessions on their part and that not necessarily in the economic field.

From a political point of view, the promotion of trade with the satellites would seem desirable in order to reduce their economic dependence on the Soviet Union. It is apparent that the satellites are being encouraged to trade more outside the bloc, though primarily in the under-developed countries as part of the Soviet drive for economic penetration. I certainly do not suggest that, for the broad political advantages, we should enter into commercially undesirable agreements, for example, by a rash extension of credit facilities, nor that we ignore the security risks involved in the possible establishment of additional satellite commercial offices or consulates across this country. There is also the possibility of legitimate complaint from Canadian industries which may be harmed by imports from the Iron Curtain countries. Nevertheless, the commercial advantage for Canada in selling sizeable quantities of surplus agricultural products are matched by the political advantage of drawing the satellites in some measure away from dependence on the Soviet Union. As in all contacts with the West, commercial exchanges are likely to remove from satellite minds some misconceptions about the West and to demonstrate the higher standard of living in the West. If the West is able to provide much-needed consumer goods, especially agricultural products, and thus demonstrate the practical advantages of trade, the pressure for more trade may mount in order to provide what the Soviet bloc economy will not or cannot provide.

The broadcasts of CBC-IS should concentrate their greatest efforts on the factual reporting of Canadian and foreign news, with a judicious selection of comment from, for example, Canadian editorial writing. Insofar as it does disperse propaganda in the more limited and aggressive sense, CBC-IS should frankly welcome any developments in the satellites which seem to indicate a mellowing of the régimes or a lessening of control by Moscow. It should then pursue the course further, saying, "If you have gone this far, why do you not go a little further?" As the *Economist* has said, appetites have been whetted by the changes which have taken place in the last few months, and the leaders may find it difficult to call a halt to the process without resort to new terroristic methods — or to the Red Army. They are visibly concerned with the lengths to which the greater freedom to criticize has gone. It is up to us in our broadcasts to continue to whet appetites for just a little more. There should be no difficulty, now that some improvements have taken place in suggesting additional improvements which can be effected within the limits of communist control (comparison with improvements in the Soviet Union, which have by and large exceeded those in the satellites, might be useful) and in particular in appealing to national pride now that at least an element of national expression is being permitted.

Exchange of visits between Canada and the satellites may also offer fruitful possibilities. The same criteria apply here as to visits with the Soviet Union, though there is the additional advantage that they would foster a feeling of independence of the Soviet Union. Insofar as our own resources, security and otherwise, impose limitations on the total visits programme which we can envisage, I think we must give priority to exchanges with the Soviet Union. But we should not ignore satellite exchanges as well. Some progress has already been made in the exchange of films and information, and this should be encouraged in order to let any breath of free air in under the Iron Curtain. Sports exchanges have the advantage of appealing to a very large public. Canadian efforts in the cultural field will be necessarily limited, but there is no good reason why visits to Moscow could not be coupled with visits to other Eastern European centres, and at little additional expense. Our missions in Prague and Warsaw have indicated that such visits would be very welcome and that arrangements could be made for them to reach a large public.

The disadvantage of freer exchanges in enhancing the prestige and even the acceptabilities of the present régimes seem to be outweighed by the advantages of providing contact with the Western world and encouraging national expression. The régimes are not going to be overthrown, so we had better concentrate our efforts on trying to make them more acceptable from our point of view. It appears that they are willing to encourage some contact with the West in order to enhance their popularity, as long as contact does not go so far as to jeopardize their positions of power. Our policy should be directed toward encouraging independence from Moscow while making it clear that we have no aggressive intentions and no intentions of radically altering their present social and political systems. Negotiations with the satellites independent of Moscow will increase their self-respect and provide them with more incentives to modify their servile attitude toward the Soviet Union. The possible is limited, but not inconsiderable in comparison with the present situation.

R.A.D. FORD

523. DEA/50128-B-40

Note de la Direction européenne

Memorandum by European Division

SECRET [Ottawa], March 18, 1957

THE CANADIAN ATTITUDE TOWARD THE SOVIET SATELLITES

The importance of the Eastern European satellites to the U.S.S.R. has been so great during the past ten years that Moscow has regarded the maintenance of effective control over this region as an essential element in its power position. At the same time, direct Canadian interests in the region have remained relatively limited.

2. Until recently, we have accordingly regarded the satellites as integral parts of the Soviet bloc, and we have taken no initiatives to encourage closer relations with those that seemed relatively more open to Western influences. On various occasions, the Government has publicly expressed its sympathy with the lot of the satellite peoples under the Soviet yoke, and its hope that they may one day be free to choose their own governments. At the same time, we deliberately avoided any direct endorsement of a policy of peaceful liberation.

3. During the past four years, however, the same problems and pressures which have compelled the adoption of a more liberal policy within the U.S.S.R. have given rise to a similar trend within the satellites, and, in particular, to a more nationalistic and less pro-Soviet orientation, and greater freedom of contact with the West. It is the two latter aspects of this trend which last autumn attained spectacular proportions in Poland and Hungary, and which have a particular bearing on our present and future attitude toward the satellites. Since about the middle of 1956, we have felt that it would be unwise to continue to treat these countries as uniform appendages of the Soviet Union, and that it would be in our interests to recognize and to encourage hopeful trends in these countries without encouraging violence, and to modify our attitude towards each state as the situation seemed to warrant.

4. Having few direct interests in the area, except for the emergence of certain possible grain markets, we have preferred to take no forthright initiative, but we have endeavoured, whenever possible, to make clear the distinction between our attitude toward the U.S.S.R. and our attitude toward the satellites. We have attempted, for instance, to modify the character of our broadcasts toward this region. Again, although limited facilities have prevented us from encouraging an exchange of visits with the satellites on the scale of our exchanges with the U.S.S.R. prior to last November, we have not discouraged this exchange, as we have in the case of the U.S.S.R. in the past five months, and we have tried to be as accommodating as possible to satellite initiatives in this context. Similarly, we have encouraged the exchange of information with these countries. During the past few months, both Soviet and satellite missions in Canada have been less active in the "return to the homeland" movement. It is not yet clear whether this change reflects a new policy or merely temporary difficulties. Where the satellites have sought to increase their trade with Canada, we have tried to avoid placing any difficulties in their way, but the fact that more liberal trends at home have so far brought no decline in the undesirable activity of certain members of their missions in Canada has compelled us to place restrictions on the size of certain of these missions.

5. Prior to the Hungarian revolt, we had resisted Hungarian pressure to exchange diplomatic missions. Since the Soviet intervention, we have sought to avoid any action which

might be construed as recognition of the Kadar régime. Thus the trade agreement which was negotiated shortly before the revolt has not yet been ratified. Our relations with the Hungarian Government will probably depend in large measure on how far it finds a more acceptable compromise with its people. Meanwhile, our national sympathy for these people has been expressed by the acceptance in Canada of over 15,000 refugees and the intention to receive as many again before the end of the year, as well as by assistance extended through the U.N. and the Red Cross.

6. It is felt that Poland merits attention at least equal to that paid to Yugoslavia, and, over the next year or so, perhaps more. In that she has offered Canada future preference as a supplier of wheat, we think that we must recognize that her desire to broaden her Western links has a direct bearing on Canadian policy, and a special credit agreement for wheat is now being negotiated with the Poles. We are also giving thought to our information policy in Poland. Meanwhile, the émigré population shows signs of a growing willingness to cooperate with the Gomulka régime, and it may be that, in the light of the improved relations between Church and State in Poland, that the return of at least a part of the Polish Treasures will be feasible within a few months.

7. The United States may have to increase its aid to Yugoslavia shortly, if Soviet economic pressures are to be offset. Canada will probably take 1,000 Hungarian refugees from Yugoslavia to ease their heavy burden. Our attitude toward East Germany continues to be determined by the fact that Canada does not recognize the Pankow régime, although the internal pressures in East Germany would undoubtedly have led to violence already, had not the Soviet Union made it unmistakably clear that any such move would be crushed at once. A revolt in East Germany would present the West, and particularly our German allies, with an extremely awkward and potentially dangerous dilemma.

8. The trend toward liberalization has thus far been less marked in Albania, Bulgaria and Roumania, and, since Canada does not maintain diplomatic missions in these countries, it is preferred to concentrate our energies for the immediate future on Poland and Yugoslavia. The effort by Czechoslovakia to develop her trade with Canada suggests that Prague may also wish silently to follow the path of Warsaw, but it has as yet taken no action to warrant greater encouragement by us.

9. It may be useful at Bermuda to explore the possibilities and risks of a concerned NATO effort to encourage Poland, the conditions under which it may become necessary or desirable to do business with the Kadar Government, and the implications of Belgrade's present difficulties for Western policy toward Yugoslavia.[57]

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[57] Pour un rapport sur les discussions tenues lors de la Conférence des Bermudes, voir volume 22, document 735.
For a report on the discussions at the Bermuda Conference, see Volume 22, Document 735.

5e PARTIE/PART 5

UNION SOVIÉTIQUE
SOVIET UNION

SECTION A

ACCORD SUR LE COMMERCE
TRADE AGREEMENT

524. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], February 2, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Carson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).

The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Registrar of the Cabinet (Mr. Halliday).

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PROPOSED TRADE AGREEMENT WITH THE U.S.S.R.
(PREVIOUS REFERENCE SEPT. 21, 1955)[58]

12. *The Secretary of State for External Affairs* said the Russian trade delegation, which had been invited to come to Ottawa as the result of his visit last year to the U.S.S.R., had now arrived. There would be some difficult points in the negotiations, for example points relating to security, to shipping, and probably to a Russian request to station additional representatives in Canada.

The Minister recommended, with the concurrence of the Ministers of Trade and Commerce and Finance, that the Canadian negotiating team be headed by Mr. Mitchell Sharp, the Associate Deputy Minister of Trade and Commerce, and be composed of representatives from the departments concerned. The Cabinet would be informed of the progress of the talks.

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[58] Voir/See Volume 21, Document 540.

An explanatory memorandum had been circulated.

(Minister's memorandum, Jan. 30, 1956—Cab. Doc. 21-56†)

13. *The Minister of Trade and Commerce* said the Russians had sent a high class delegation and the negotiations might be difficult. He was proposing to insist, however, that Russia undertake to buy 500,000 tons of wheat a year for 3 years.

14. *During the discussion* it was pointed out that, if the Russians were allowed to station additional representatives at various points in the country, it would probably be necessary to increase the staff of the special branch of the R.C.M.Police. This problem, however, did not have a direct connection with any possible trade agreement. It was also suggested that a representative of the Department of Agriculture might be added to the delegation.

15. *The Cabinet* approved the recommendation of the Secretary of State for External Affairs, concurred in by the Ministers of Trade and Commerce and of Finance, that the delegation for the negotiations on a possible trade agreement with the U.S.S.R. be headed by Mr. Mitchell Sharp, Associate Deputy Minister of Trade and Commerce, and be composed of representatives of the Departments of Trade and Commerce, Finance, National Revenue, External Affairs, Agriculture, and the Bank of Canada, with the assistance of other departments as required.

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525. DEA/11185-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], February 6, 1956

SIZE OF THE SOVIET EMBASSY IN OTTAWA, AND POSSIBLE OPENING OF SOVIET BLOC TRADE OFFICES IN MONTREAL OR TORONTO

The arrival of the Soviet trade delegation this week means that we may soon see a further expansion of the Soviet Embassy on the commercial side. The Czechs and Poles have already intimated informally that they would like to open trade offices of some kind in Montreal and/or Toronto. The security implications of these possible developments have been under study in the Department, and I believe that certain recommendations should now be submitted for your approval.

Size of the Soviet Embassy

2. Our records show that the Russian staff of the Soviet Embassy, both diplomatic and non-diplomatic, now numbers 51 persons. If adult dependents be added, the total rises to

98 Russians. A breakdown of these figures is annexed† to this memorandum. The steady growth of the Embassy staff in the last few years is shown in the following table:

January 1949 — 27
1951 — 30
1953 — 40
1955 — 46
1956 — 51.

This staff of 51, in my view, is too large for the legitimate work it has to do, whether political, commercial or military. The Deputy Minister of Trade and Commerce and the Director of Military Intelligence agree. You will note that we have only 11 Canadians in Moscow.

3. Although it is difficult to find legitimate reasons for the exaggerated size of the Soviet Embassy, we know from the Petrov case[59] that Soviet embassies are still padded with personnel for recruiting and running espionage agents. The R.C.M.Police confirm that the Soviet Embassy in Ottawa is no exception. The growing size of the Soviet Embassy means not only that more Russians become available for intelligence work, but also that the resources of the R.C.M.P. for surveillance are increasingly strained, and the effectiveness of our counterintelligence effort seriously reduced.

4. We have therefore considered the possibility of imposing some limit on the size of the Soviet Embassy. Some months ago we asked the Foreign Office and the State Department for their views on this question. We learned that the United Kingdom has always recognized the right of a diplomatic representative to decide for himself what staff he needed for the performance of his diplomatic duties. On the other hand, the State Department expressed the firm opinion that the receiving country has the right to determine the size of a mission.

5. The recent experience of two other NATO governments is relevant. We understand that the German Government, which recently agreed to receive a Soviet Ambassador, was successful in obtaining an assurance in advance that his staff would not number more than 50 persons. However, when the Netherlands Government in December 1954 protested about the size of the Soviet Embassy in The Hague, the Soviet Ambassador rejected the complaint in the firmest terms.

6. The opinion of the Foreign Office, with which our own Legal Division agrees, and this Netherlands experience suggest that it would be both improper and inexpedient to attempt to set any arbitrary limit on the size of the Soviet Embassy here. Another reason for caution is that some expansion of our Embassy in Moscow will perhaps be required soon.

7. I suggest, however, that we must do something. The recent fire has drawn public attention to the size of the Embassy, as the article in the January 30 number of *Time* indicates. We may anticipate questions in Parliament which I believe we should be in a better position to answer than we now are. *I therefore recommend* that you take an early convenient occasion, if possible before the current trade negotiations are too far advanced, to observe to the Soviet Ambassador, in an informal and friendly manner, that you are con-

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[59] Vladimir Petrof a démissionné de son poste de chiffreur du KGB à l'ambassade de l'Union soviétique à Canberra le 2 avril 1954.
Vladimir Petrof defected from his post as a KGB cypher clerk at the Soviet Embassy in Canberra on April 2, 1954.

cerned at the size of his staff.[60] You might take the line that you are as keen as he to see Canadian-Soviet relations improve, and for that very reason you wish to warn him that any further growth of his Embassy staff would create an unfortunate impression on Parliament and the general public in this country. You might suggest that a staff of 50, give or take one or two, would seem to be adequate. If Mr. Chuvahin fails to take the hint, we shall have to give more serious thought to what we can do next. Whether or not some solution to that problem can be found, we shall at least be able to assure Parliament, if questions are asked, that the Soviet Ambassador has been spoken to.

The Possible Opening of Soviet Bloc Trade Offices Outside Ottawa

8. An interdepartmental meeting was held on January 6 to reconcile the apparent conflict of interest between trade and security in the response to be made to anticipated approaches from Soviet bloc countries for permission to open new commercial offices across Canada. The Departments of Trade and Commerce, Finance and National Defence, and the R.C.M.Police were represented as well as several Divisions of this Department, and the forthcoming trade negotiations with the Soviet Union were very much in everyone's mind.

9. After thoroughly canvassing the commercial advantages and the security risks involved, as far as Canada was concerned, the meeting decided that if and when formal approaches were made by Soviet bloc countries for permission to open offices outside Ottawa:

(a) Our general attitude should be one of reluctance, while examining each application on its merits;[61]

(b) That those offices which were permitted to open should be at the most trade commissioners' offices, which have certain privileges but no immunities;[62]

(c) That we should insist on reciprocal rights in the Soviet bloc countries concerned, whether or not we intend to exercise such rights at this time;[63]

(d) That permission to open consulates should be withheld in present circumstances.[64]

J. L[ÉGER]

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[60] Note marginale :/Marginal note:
Would you please do this for me? L.B. P[earson]

[61] Note marginale :/Marginal note:
OK [L.B. Pearson]

[62] Note marginale :/Marginal note:
Yes [L.B. Pearson]

[63] Note marginale :/Marginal note:
Yes [L.B. Pearson]

[64] Note marginale :/Marginal note:
Yes [L.B. Pearson]

526. DEA/6226-A-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], February 13, 1956

PROPOSED TRADE AGREEMENT WITH THE USSR

The attached memorandum of February 9 was intended to bring you up to date on the position reached in these negotiations and, in particular, to ascertain your views concerning the wisdom of agreeing to the inclusion of some provision concerning the treatment of Soviet nationals and juridical persons (see especially paragraphs 8-15 and Appendix B†). The other subjects dealt with in this memorandum are not of quite the same degree of urgency although your views would also be welcomed on the question of a shipping clause which is discussed in paragraphs 3-7.

2. On the question of natural and juridical persons Mr. Howe was consulted on Friday and indicated that he would not be unduly concerned at the inclusion of a provision on the lines contemplated by the negotiating team, in the light of the opinion from the Department of Justice regarding the constitutionality of such a clause. Mr. Harris, on the other hand, was considerably troubled by the possible political reaction to the granting of such treatment to Soviet persons (see paragraph 10). Late on Friday and again on Saturday Mr. Harris discussed this matter with the Prime Minister who appeared to have doubts about both the legality and political wisdom of the proposal envisaged by the Canadian negotiators.

3. We do not yet know whether the Soviet Delegation regard this as a sticking point but it would seem evident that they attach a good deal of importance to a provision on this subject, especially since some such provision has been included in all trade agreements which they have made with Western countries in recent years. If our negotiations are to proceed we should know as soon as possible whether any provision of this kind can be contemplated. You may therefore wish to have a word about this situation with the Prime Minister and possibly also with Mr. Howe and Mr. Harris. In the meantime the Canadian negotiators are trying to work up another draft but they are not hopeful that it will be possible to produce a text which would be less troublesome than the one appended to the attached memorandum.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], February 9, 1956

PROPOSED TRADE AGREEMENT WITH THE USSR

The following is the present state of the negotiations with the Soviet Delegation:

(a) Substantial agreement has been reached on the standard articles exchanging most-favoured-nation tariff treatment.

(b) Substantial agreement has also been reached on an article containing two "escape" clauses, one to permit the application of discriminatory import restrictions if this becomes necessary to protect the balance of payments, and the other to provide that nothing in this Agreement shall limit the right of either party to apply restrictions or prohibitions of any kind directed to the protection of its essential security interests.

(c) The Soviet Delegation has accepted our proposal that we shall reserve (in a concurrent exchange of notes) the right to fix values for ordinary and special duty purposes to the extent necessary to prevent or remedy injury to Canadian producers if as a result of our obligations under the Agreement any product is being imported or is likely to be imported in such quantities as to threaten serious injury.

(d) So far at any rate the Soviet Delegation has not accepted our proposal that there should be an article requiring the state enterprises in either country to take into account only commercial considerations when deciding whether to make a purchase from the other country or from some alternative source of supply.

(e) The Canadian side has resisted three Soviet proposals: most-favoured-nation treatment of shipping; an article on the status of natural and juridical persons of one party in the territory of the other; and an article on the arbitration of commercial disputes.

(f) There is an important difference of view as to whether the agreement should lapse at the end of three years unless renewed (the Canadian proposal), or else should be renewed automatically from year to year after the initial three year period until terminated by either party (the Soviet proposal).

(g) Discussions are still proceeding on the nature of the Soviet commitment for the purchase of wheat. The Soviet side clearly understand that agreement on this is basic to any trade agreement between us.

2. At this point in the negotiations the Canadian delegation would find it of great assistance to receive guidance from the Ministers concerned on the following outstanding issues.

I. SHIPPING

3. The Canadian side has argued that we have not included clauses providing for most-favoured-nation treatment of shipping in any trade agreements since the war; that we consider it preferable that trade agreements should not deal with such extraneous subjects as shipping; and that in any case Soviet shipping already receives as favourable treatment in all substantial respects as the shipping of any other foreign country. The Soviet Delegation has not suggested that our present treatment of Soviet shipping is discriminatory, but they have emphasized that they attach a good deal of importance to having a shipping article in the Agreement, if only for the sake of appearance. They have stated (truly enough) that they have such an article in virtually all their trade agreements.

4. We do not yet know whether the Soviet Delegation will decide that they cannot accept an agreement without such an article, but the Canadian negotiators would be glad to know whether in such an eventuality some kind of article on shipping could be accepted by the Canadian Government.

5. While there are no significant restrictions on Soviet ships entering any Canadian ports (including Great Lakes ports) at present, the question is whether the Government would be willing to guarantee to the Soviet Union such treatment for the duration of the Agreement. From the point of view of security it would no doubt be desirable to retain our freedom to

prohibit Soviet ships from entering our ports should we ever decide circumstances warranted this. The security escape clause already agreed upon (paragraph 1(b) above) would however leave us free to take such a step. We might decide for other reasons however that we did not wish to give Soviet shipping any right of access to the St. Lawrence Seaway above Montreal and the Great Lakes. In such circumstances it might be embarrassing to have to invoke the security escape clause. It might however be possible to reach a compromise on an article which would not guarantee any rights above Montreal. A possible draft of such an article is attached at Appendix A,† together with the article proposed by the Soviet Delegation.

6. It would be helpful for our delegation to know:

(a) whether, if it proved necessary for the success of the negotiations they could accept a shipping article; and

(b) in such case, whether, if a restricted article was entirely unacceptable to the USSR, our delegation could in the last resort agree to an article which applied to ports above Montreal as well as to other ports; all on the assumption that in other respects a satisfactory agreement is within reach.[65]

7. In any such discussions with the USSR we would propose to talk about merchant ships and their cargoes, not passengers or crew, and in terms of the particular facilities in respect of which the USSR would want most-favoured-nation treatment.

II. MOST-FAVOURED-NATION TREATMENT OF NATURAL AND JURIDICAL PERSONS

8. The Soviet proposal on this subject is attached at Appendix B† together with a Canadian redraft. The former would involve two commitments on Canada's part:

(a) that Soviet citizens engaged in business in Canada should enjoy personally and in respect of their property a treatment no less favourable than the nationals and juridical persons of a most favoured nation; and

(b) that Soviet citizens might sue in our courts and enjoy a free and easy access to our courts.

[We undertook commitments similar to these in three earlier commercial treaties, Japan (1913) (no longer in force), France (1933) and Poland (1935)]. In respect of commitment (a) the Deputy Minister of Justice has advised that:

> "It has been suggested to me that the protection of such personal and property rights could only be effected by provincial legislation. However, the view I take is that legislation which would impair the rights of any class of aliens could not be validly enacted by a provincial legislature since such legislation would be in relation to 'Naturalization and Aliens'. Any legislation which purported to protect these rights of aliens as such would be within the exclusive competence of Parliament. I can think of no ground upon which the enforcement of such a provision would be beyond the jurisdiction of the federal authorities."

9. We feel we should point out however what might be the situation in the unlikely event that a province were to enact legislation which treated Soviet citizens in particular less favourably than other aliens and a case arose in the courts calling into question the competence of the provincial legislature in this respect. If the Court's decision were consistent with Mr. Varcoe's opinion there would presumably be no problem. If however the provincial legislation were upheld, the Government would be faced with the prospect (1) of being

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[65] Note marginale :/Marginal Note:
could we [leave?] it up to our [own negotiators?] [L.B. Pearson]

in breach of a treaty obligation or (2) of disallowing the provincial legislation or (3) of introducing legislation in Parliament to implement the treaty guarantee. In this last case if the federal legislation were challenged it would mean that the trade agreement with the USSR would be the subject of a test case on the Federal Government's power to implement treaties.

10. Apart from these conceivable difficulties you will be aware of the possibility of public criticism of such provisions in an Agreement with the USSR. We are not in a position to judge how extensive such criticism — apart from possible criticism of the fact of entering into an agreement at all with the USSR — is likely to be.

11. In respect of commitment (b), Mr. Varcoe has advised:

"... respecting access to the courts similar considerations apply as in the case of the first proposal, and I should think that the proposal is unobjectionable from a constitutional point of view since it would be clearly beyond the authority of a province to deny to Russian nationals access to the courts.

"I might add, however, that the provinces might validly impose restrictions which would not be directed towards discrimination against nationals of the USSR although they might in practice limit access to the court by such persons, among others. I have in mind such matters as rules relating to security for costs, the taking of evidence on commission, proof of foreign law and valid moratorium laws."

III. ARBITRATION

12. The Soviet proposal is attached at Appendix C†. This would provide:

(a) That persons engaged in trade transactions might agree that disputes arising thereout should be settled by arbitration;

(b) that such arbitration agreement excluded any recourse to the courts; and

(c) presumably, that the contracting parties would undertake to provide for the enforcement in their territory of an arbitration award.

13. The Deputy Minister of Justice is of opinion that "there is no reason why, if it appears desirable to do so, Canada should not agree to such a term, so long as it is clearly understood that inclusion of such terms in any particular agreement is not a matter over which Parliament exercises exclusive jurisdiction." He has indicated that (b) would have to be modified. With regard to (c) he has said "I am not in a position to state that there is a law in each of the provinces of Canada providing for the enforcement of arbitration agreements. Where there is such a law, I am satisfied that a province could not, by legislative enactment, deny to Russians the right to the remedy thereby afforded. If there is no such law, Parliament could, no doubt, under section 101 of the British North America Act, give jurisdiction to the Exchequer Court to enforce the arbitration award."

14. While it is evidently within the Government's competence to agree to an article along lines somewhat like those proposed, to do so might lead to difficulty or embarrassment in the future. The Government might not wish for example to contemplate seeking an Act of Parliament to put this Agreement on the statute books; yet this could in certain circumstances become necessary in order that the Exchequer Court might be used to enforce arbitration awards.

15. I suggest that the most we should consider at this stage with regard to these two proposed articles is whether the Canadian delegation might be authorized to indicate to the Russians, if necessary, that we might agree to an article along the lines of the Soviet proposal on the treatment of nationals, etc., but not to an article on arbitration. It is conceivable that the Soviet Delegation might regard this as an adequate attempt to meet them halfway.

If this failed, the Cabinet would then have to be asked to give consideration to the possibility of an article on arbitration, which would have to be very carefully phrased.

16. I should be grateful to have your comments as soon as possible as it is hoped to have a further meeting with the Soviet Delegation Friday afternoon.

J. L[ÉGER]

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527. DEA/6226-A-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], February 15, 1956

PROPOSED TRADE AGREEMENT WITH THE USSR

I understand that there will be a discussion in Cabinet today of the possibility of including in the proposed Trade Agreement an article on the treatment of citizens and juridical persons of each contracting party in the territory of the other.

2. The Soviet proposal on this subject is attached. Also attached is a redraft the Canadian group have prepared. The principal changes are:

(a) To ensure that the rights accorded by the USSR will apply not only to Canadian citizens, but also persons domiciled in Canada carrying on business on the same basis as Canadian citizens;

(b) in the term "enjoy ... treatment no less favourable" etc., we have inserted the phrase "according to law" so as not to appear to be guaranteeing non-discrimination on the part of private firms and individuals in Canada;

(c) the third paragraph has been put in terms of most-favoured-nation treatment. We thought the term "free and easy access to the courts" could be misunderstood.

3. As Ministers had agreed, we gave the Soviet Delegation yesterday, our views on a shipping article. They found this acceptable in principle, although there may still be some discussion about individual words.

4. Also attached for your information, is a rough consolidation of the draft agreement† as it stands now (you may have received a copy of this from Mr. Howe). The text of the draft on shipping, which we presented to the Soviet Delegation, will be found on page five.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note

SECRET

SOVIET PROPOSAL

Canadian merchants and manufacturers, physical or juridical persons constituted in accordance with Canadian laws, when engaged in business activity in the territory of the USSR personally or through their appointed representatives under conditions prescribed by the legislation of the USSR, shall enjoy personally and in respect of their property a treatment no less favourable than the nationals and juridical persons of a most-favoured-nation.

Soviet state business organizations and other juridical persons, constituted in accordance with Soviet laws, as well as Soviet citizens when engaged in business activity in the territory of Canada personally or through their appointed representatives under conditions prescribed by the legislation of Canada, shall enjoy personally and in respect of their property a treatment no less favourable than the nationals and juridical persons of a most-favoured-nation.

The nationals and juridical persons of either Contracting Party may sue in courts and shall enjoy a free and easy access to the courts of the other Contracting Party.

CANADIAN REDRAFT

Canadian citizens, juridical persons constituted in accordance with the laws in force in Canada and other natural persons domiciled and carrying on business in Canada shall, when engaged in business activity in the territory of the USSR, enjoy in respect of their persons and their property treatment according to law no less favourable than that accorded to the natural and juridical persons of the most-favoured-nation.

Soviet state business organizations and other juridical persons, constituted in accordance with Soviet laws, as well as Soviet citizens shall, when engaged in business activity in the territory of Canada personally or through their appointed representatives under conditions prescribed by the laws in force in Canada, enjoy in respect of their persons and their property treatment according to law no less favourable than that accorded to the natural and juridical persons of the most-favoured-nation.

The natural and juridical persons specified in paragraphs 1 and 2 shall enjoy access to the courts of the other Contracting Party on the same basis as natural and juridical persons of the most-favoured-nation.

528. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], February 15, 1956

Present

The Prime Minister (Mr. St.-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Secretary of State (Mr. Pinard).

The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

TRADE NEGOTIATIONS WITH THE U.S.S.R.; PROPOSED AGREEMENT (PREVIOUS REFERENCE FEB. 2)

11. *The Minister of Trade and Commerce* reported that the negotiations with the U.S.S.R. trade delegation were proceeding well and it seemed likely that an agreement would emerge. However, there were a number of problems still to be settled, of which the most important was a Russian proposal for a clause giving to the citizens and organizations of each country, carrying on business in the other country, free and easy access to the courts of that country. The Russians had also requested clauses on arbitration and general m.f.n. treatment for shipping. He understood they had agreed to drop the former request, and would likely be willing to accept an article for m.f.n. treatment for shipping which would not apply to ports on the Great Lakes and on the St. Lawrence above Montreal. Even if this shipping arrangement seemed likely to lead to difficulties, the broad security clause in the agreement could always be invoked.

As regards the main problem, he felt a clause along the lines of the Russian proposal should be accepted, provided it covered not only Canadian citizens, but also persons domiciled in Canada, that the m.f.n. treatment to be granted be according to the laws of each nation, and that access to the courts be on the same basis as in other m.f.n. agreements.

12. *During the discussion* the following points emerged:

(a) There was no statement now in the law that aliens had normal access to the courts. If there were, this could be pointed to in answer to the Russian request. Some day it would be desirable to amend the Canadian Citizenship Act to provide access for aliens to the courts in civil cases. To take such a step, however, as a direct result of the Russian agreement would be unwise and hence it was necessary to have this provision in the agreement.

(b) In practice, aliens had free access to the courts and were under no disability in this connection at all. By putting such a formal provision in a treaty with the Russians, the omission in the law might be pointed up and criticized.

(c) No request had been made to station more Russian nationals in Canada following the conclusion of a treaty. It was said that none were necessary to facilitate the buying of wheat, which would be done indirectly, through normal commercial channels. On the other hand, it could be expected that the U.S.S.R. would ask to have some extra purchasing agents sent to Canada. This was not unreasonable, but increased consular and diplomatic staffs were not necessary and such requests should be refused.

(d) Canada had similar m.f.n. treaties with most other European countries. To allow the negotiations to founder because of a refusal to include a clause which formally provided for access to the courts, would leave an unfortunate impression with the public.

(e) Most important treaties were approved by Parliament before ratification. This had not been the practice for trade treaties, but possibly it should be done in this instance. If such were the case, an extensive debate could be expected. In any event, the final document should be tabled.

13. *The Cabinet* noted the report of the Minister of Trade and Commerce on the trade negotiations with the U.S.S.R., and agreed that articles, as proposed by the Minister, be included in the draft to provide for access to the courts, and to give m.f.n. treatment to shipping in seaports, but not including any such ports on the St. Lawrence River or Great Lakes above Montreal.

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529. DEA/6226-A-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

SECRET [Ottawa], February 21, 1956

PROPOSED TRADE AGREEMENT WITH THE USSR

We have now reached provisional agreement with the Soviet delegation on all issues except three. One of these is the exact nature of the Soviet undertaking on wheat purchases. The other two are the shipping article and the article providing for non-discrimination on the part of state trading enterprises.

2. On shipping we have proposed an article which would provide for most-favoured-nation treatment of the ships of each country in the sea ports of the other. For the purposes of this article it was stipulated that sea ports would not include any ports on the St. Lawrence River above Montreal or on the Great Lakes. At the time, Mr. Borisov thought this would be acceptable. He has now reported, however, that Moscow has found it entirely unacceptable since it would seem to imply that there might be discrimination against Soviet ships above Montreal, which does not now exist in practice. Moreover, we ourselves have had some second thoughts about the wisdom of hinting in an agreement with any country that we may some day wish to put restrictions on access to the St. Lawrence Seaway and the Great Lakes.

3. We are faced now with two possibilities — we can either tell the Soviet delegation that in the circumstances it would be better not to include any article on shipping and regard this as a sticking-point, or else we can decide to accept a general shipping clause in the knowledge that the St. Lawrence Seaway will not be open until after the expiry of the three-year term of this Agreement. The following would be the terms of the article:

"The merchant vessels of either Contracting Party and the cargoes of such vessels upon arrival at and departure from the seaports of the other party and during the time spent in such seaports shall enjoy the treatment accorded to the most-favoured-nation.

"The provisions of the first paragraphs of this Article shall now apply to the performance of harbour services including pilotage and towing, nor to coastal shipping."

4. If we adopted this course we would think it might be desirable to accompany the Agreement with a letter to the head of the Soviet delegation, putting the USSR on notice that we are not prejudging the position of ports above Montreal after the completion of the Seaway. This would be made public along with the Agreement and should serve to allay possible criticism here and in the United States, to the effect that we were letting the Russians into the Seaway. In answer to criticism that we were now guaranteeing access to Soviet ships capable of using the existing 14 foot canals if the Soviet Union has any such ships, it would probably be sufficient to point to the Security Clause which entitles us to apply prohibitions or restrictions of any kind for the protection of our essential security interests. The text of a possible letter† is attached.

5. We would welcome your views on these alternatives, and, if you favour the second alternative, on the desirability of sending the head of the Soviet delegation a letter along the lines of the attached draft.[66]

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6. We had proposed an article in which each country would promise that its state trading enterprises would follow a policy of non-discrimination in all foreign purchases and sales; in other words, that a Soviet state enterprise, for example, would take into account only commercial considerations when deciding whether to deal with a firm in Canada or to deal elsewhere.

7. The Soviet delegation insist strongly that they cannot accept any such article. They argue that this would imply that their state trading enterprises make a practice of discriminating in order to fulfil other than commercial purposes. They have never included any such provisions in their trade agreements. They argue too that although state enterprises conduct all Soviet business and private enterprises nearly all Canadian business, there would be no corresponding obligation on private enterprises in Canada to take into account only commercial considerations when deciding whether to place an order in the USSR. There is some justice in this contention, although for most practical purposes one can rely on the fact that it is in a private firm's own interest to buy from the cheapest supplier of all those entitled to most-favoured-nation tariff treatment.

8. We do not believe that an article providing for non-discrimination on the part of state enterprises will really be of any practical value. We have two reasons for seeking it however. In the first place there is such an article in the GATT and in some of our other trade agreements. Some countries, such as Japan, might complain if we omitted this from an agreement with the greatest state trading country in the world, when we had insisted on

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[66] Note marginale :/Marginal note:

I think that the second alternative safeguarded as suggested would be acceptable. L.B. P[earson] including it in our agreements with them. In the second place, such an article might be of some importance from the point of view of presentation in Canada.

9. We may be trying on the Russians today a modified version which might appear less objectionable to them. We have no real expectation that they will accept this. Accordingly it would be very helpful to know how much importance you would attach to such an article, if as appears not unlikely, reasonably satisfactory agreement is reached on all other issues. We understand that Mr. Harris feels rather strongly that we should insist on this provision, whereas Mr. Howe may not consider it quite so important.[67]

J. L[ÉGER]

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530. DEA/6226-A-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], February 23, 1956

CANADIAN-SOVIET TRADE AGREEMENT

I understand that this subject is not expected to be discussed at this morning's Cabinet meeting. You might wish, however, to have a report on the position which has now been reached.

2. At yesterday's meeting with the Soviet Delegation the Canadian side presented drafts on the outstanding points (i.e. arbitration, state trading and shipping) which went as far as seemed possible in the direction of the original Soviet proposals. It appeared from the preliminary discussion on these texts that the Russians might be able to accept them.

3. We then put to the Soviet Delegation a new text of the letter† on wheat which followed their language fairly closely but made it quite clear that they would be under an unconditional obligation to buy a minimum of 400,000 tons of wheat each year during the three-year life of the Agreement. The Soviet side was apparently anxious to have the obligation in respect of the second and third year left somewhat loose and made dependent on the progress of their sales to Canada. We indicated that while we would be quite happy to have them take account of developments in their trade with Canada in determining how much wheat they might buy above 400,000 tons each year, we were not prepared to leave open the possibility that they might buy less than that amount if they were dissatisfied with the volume of their exports to Canada. Mr. Sharp stated that this was our firm position and suggested that Mr. Borisov might meet with Mr. Howe later that day if he wished confirmation of that fact or if he wished to restate the Soviet view.

4. Towards the end of yesterday afternoon Mr. Borisov met with Mr. Howe and Mr. Howe was quite categorical in asserting that this was an inflexible condition. He noted that originally we had suggested 500,000 tons of wheat per annum. In the course of the negotiations we had recognized that it might be justifiable to set the minimum amount at 400,000 tons a year and provide for a possible increase in this figure if the Russians felt that their trade under the Agreement was progressing satisfactorily. Mr. Borisov enquired

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[67] Note marginale :/Marginal note:
I am inclined to share Mr. Howe's view on this. L.B. P[earson]

whether this was the definite position of the Canadian Government and Mr. Howe assured him that it was. Mr. Borisov then went off to consider the proposition further and to consult Moscow.

5. It is the view of all members of the Canadian negotiating team that the Government would be wise to stick on this point.[68] If the Russians accept it the resulting Agreement would be one which on balance would seem satisfactory from Canada's point of view. If the Russians reject it and the negotiations break down it will be evident that this has happened only because the Russians were not willing to agree with a condition which had been stated clearly by the Canadian side from the outset (and which the Canadian side had been reasonable enough to reduce somewhat during the negotiations).

R.M. M[ACDONNELL]
for Under-Secretary of State
for External Affairs

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531. PCO

Conclusions du Cabinet

Cabinet Conclusions

SECRET [Ottawa], February 27, 1956

Present

The Prime Minister (Mr. St.-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Fisheries (Mr. Sinclair),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin).

TRADE AGREEMENT WITH THE U.S.S.R.
(PREVIOUS REFERENCE FEB. 15)

1. *The Secretary of State for External Affairs* said the Canadian negotiating group and the Soviet delegation had now reached provisional agreement on the text of a trade agreement and two accompanying exchanges of letters. The first exchange would give Canada the right to fix values for duty if any product was being imported in such quantities or under such conditions as to cause or threaten serious injury to Canadian producers. In the second, Russia agreed to buy, during the three-year term of the agreement, between 1.2 and 1.5

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[68] Note marginale :/Marginal note:
I agree L.B. P[earson]

million metric tons of wheat in annual amounts of between 400,000 and 500,000 tons. How much more than 400,000 tons would be taken in the second and third years would be decided by the Soviet Union in the light of the volume of sales of Soviet goods.

The agreement itself contained the customary most favoured nation provisions and also provisions, not usually included in recent agreements, on shipping, the legal treatment of citizens and firms of each country, and the possibility of arbitration of disputes. A security escape clause was also included which was thought to be broad enough to cover any possible situation. The agreement would come into force provisionally on signature but was to be ratified within ninety days. It would last for three years unless both countries agreed to extend it for a further period. He recommended, with the concurrence of the Ministers of Finance, Trade and Commerce, and National Revenue, that the agreement be entered into and the proposed exchange of letters effected.

Explanatory material was circulated.

(Minister's memorandum, Feb. 27, 1956;† draft trade agreement with the U.S.S.R.† and exchanges of correspondence†)

2. *During the discussion* the following points emerged:

(a) Customs duty meant very little in the U.S.S.R. because it was a state trading country and the Soviet authorities could set any value they liked on Canadian exports. This was not expected to present any serious difficulty, however, as Canada would be selling mainly wheat, for which orders were already being placed, and perhaps some barley. The principal purchases by Canada would continue to be furs and possibly manganese.

(b) Some embarrassment might arise because Canadian seamen on the Great Lakes were now required to have a security clearance, whereas under this treaty Soviet seamen could enter the same waters and not be subject to these regulations. It was noted, however, that all seamen from other countries could come into the Great Lakes now with no screening, and the security escape clause would enable Canada to take any action seen fit. In practice, no great problem would occur because the wheat would be shipped from Vancouver.

(c) It could be anticipated that the Russians would now ask for stronger trade representation, for example, the establishment of a branch of A.M.T.O.R.G. in Winnipeg.

(d) It was probably desirable that the treaty should be approved by Parliament. Practically all treaties on political matters and most of the important commercial treaties had been so approved before ratification, the most recent being the Japanese treaty.[69] On balance, it would be desirable to seek parliamentary approval of this document. The accompanying exchanges of letters as well as the treaty itself would be tabled.

3. *The Cabinet* approved the recommendation of the Secretary of State for External Affairs, concurred in by the Minister of Trade and Commerce, Finance and National Revenue, and agreed,

(a) that the Canadian government enter into a trade agreement with the U.S.S.R. in the terms submitted, and the Secretary of State for External Affairs and the Minister of Trade and Commerce to be issued with full powers to sign the agreement;

(b) that the exchanges of letters in regard to values for duty and purchases of wheat be effected; and,

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[69] Voir/See Volume 20, Document 809.

(c) that the agreement be ratified within 90 days of signature after approval by Parliament, if that was considered necessary in this case.[70]

R.B. BRYCE
Secretary to the Cabinet

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532. DEA/6226-A-40

Projet d'une note du secrétaire d'État aux Affaires extérieures pour le Cabinet[71]

Draft Memorandum from Secretary of State for External Affairs to Cabinet[71]

SECRET Ottawa, April 12, 1956

SOVIET REQUEST FOR PERMISSION TO OPEN A TRADE OFFICE IN VANCOUVER

Following the conclusion of the Trade Agreement between Canada and the Union of Soviet Socialist Republics, the visiting Soviet officials requested permission for "Exportkhleb", the Soviet State trading corporation which deals in grain, to open a small office of some kind in Vancouver to arrange purchases and shipment of Canadian wheat to the USSR. They indicated that only about three or four Soviet nationals would be needed, in addition to locally-employed Canadian clerical staff. They said they were not asking that this office or its personnel be accorded diplomatic privileges or immunities. They indicated that there was no intention, at present, of following up this request with proposals for other trade offices.

Any such office would raise certain difficulties for us. It must be assumed that in addition to its legitimate activities it would probably be used as a centre for organizing subversive activities and would be a part of the Soviet intelligence network. There would undoubtedly be strong reactions, also, from the ethnic minorities of Slavic origin in Western Canada.

The USSR could make use of the existing firms in the grain trade in Canada. These could make all arrangements for the purchase and shipment of wheat to the USSR just as they do for other countries including Poland. If, however, as they have indicated to us, the Soviet authorities prefer not to make use of the established firms in the trade they have a plausible commercial justification for their request, and they would no doubt feel they were in a position to argue that a refusal on our part would be unreasonable after we had signed a Trade Agreement. On the other hand, there is no provision in the Agreement that requires us to accede to their request, and in my opinion they could not legitimately go back on their undertaking about wheat purchases if we turned it down.

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[70] Pour le texte de l'accord commercial et des lettre supplémentaires, voir Canada, *Recueil des traités*, 1956, nº 1. L'Accord a été approuvé à l'unanimité par la Chambre des communes le 18 avril, et par le Sénat le 26 avril 1956.

For the text of the trade agreement and the supplementary letters, see Canada, *Treaty Series*, 1956, No. 1. The agreement was unanimously approved by the House of Commons on April 18, and by the Senate on April 26, 1956.

[71] Ce mémoire, que Pearson n'a pas utilisé au Cabinet, a été préparé en consultation avec d'autres « interested departments. » Léger à Pearson, 12 avril 1956, MAE 6226-A-40.

This memorandum, which Pearson did not use in Cabinet, was prepared in consultation with other "interested departments." Léger to Pearson, April 12, 1956, DEA 6226-A-40.

It is for the Cabinet to decide whether or not to agree to the Soviet request. If the Cabinet does agree to this proposal consideration should be given to the kind of office to be permitted. There are four possible forms:

(a) A Vancouver office for the Commercial Counsellor of the Soviet Embassy in Ottawa;

(b) a Soviet Trade Commissioner's office or Soviet Trade Mission;

(c) a Soviet-owned company incorporated under the Dominion Companies Act; and

(d) a Vancouver office for representatives of "Exportkhleb".

The first of these would be the most undesirable. Such an office would have immunity of premises, etc., and the privilege of using cypher and the diplomatic bag. These diplomatic immunities and privileges would be of great assistance to Soviet espionage and subversive activities.

A Trade Commissioner or Trade Mission would have considerable official prestige which could aid the Soviet subversive effort and trouble the ethnic minorities.

A company would be difficult to close down, provided it fulfilled the not very onerous requirements of the Companies Act. Our travel regulations could not readily be imposed on its Soviet members.

A Vancouver office for three or four Soviet citizens representing "Exportkhleb" would seem to be the least disadvantageous kind of office to be permitted. It would not enjoy diplomatic privileges or immunities, or official standing in the community. The Canadian Government could close it down at any time. As its members could be considered part of the Soviet household in Canada, the travel regulations could be extended to them.

If the Cabinet decides to admit a Soviet trade office to handle wheat purchases and shipments, I recommend:

(a) That it should take the form of a simple local office of "Exportkhleb";

(b) that the number of Soviet nationals serving in the office should not exceed three, and should be taken into account in determining the number of Soviet representatives in Canada;

(c) that the office should be closed on the expiry of the Trade Agreement;

(d) that as a matter of principle we should obtain the reciprocal right to establish such an office in the USSR, even though we have no present intention of making use of such a right; and

(d) that we should specify that a condition of our agreeing to the establishment of this office would be the extension, to the Soviet nationals employed in it, of the travel regulations at present imposed upon the Soviet Embassy.

[L.B. PEARSON]

533. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], April 19, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).

The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

SOVIET REQUEST FOR PERMISSION TO OPEN A TRADE OFFICE IN VANCOUVER

32. *The Secretary of State for External Affairs* said that the Soviet ambassador had requested permission, on behalf of his government, to open a trade office in Vancouver in order to facilitate wheat shipments. This request was justified, although the U.S.S.R. could make use of the existing firms in the grain trade in Canada. Consideration would be given to the kind of office to be permitted. There were three possible forms:

(a) a branch office of the Soviet Embassy;

(b) a Soviet Trade Commissioner's office; or

(c) a Vancouver office for representatives of "Exportkhleb" which is the Soviet wheat export agency.

The Minister recommended the third alternative which would involve a small staff of two or three Soviet nationals, and no diplomatic status. In any event, it would be undesirable to grant diplomatic privileges or immunities in this case.

33. *The Cabinet* noted the report of the Secretary of State for External Affairs on the request made by the Soviet government to open a trade office in Vancouver, and agreed that permission be given provided such an office was organized as a small business office without any diplomatic privileges or immunities.

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534. DEA/6226-A-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

SECRET [Ottawa], April 19, 1956

VANCOUVER OFFICE OF "EXPORTKHLEB"

I understand that Cabinet agreed this morning that the USSR should be permitted to open a small office of "Exportkhleb", the Soviet State trading corporation which deals in grain, in Vancouver.

I would suggest, if you agree, that when the Soviet Ambassador, is informed of this he should also be told of the following conditions:

(a) That it should take the form of a simple local office of "Exportkhleb";

(b) that the number of Soviet nationals serving in the office should not exceed three, and should be taken into account in determining the number of Soviet representatives in Canada;[72]

(c) that the office should be closed on the expiry of the Trade Agreement;

(d) that we should have the reciprocal right to establish such an office in the USSR, if we should desire to do so at some future date; and

(e) that we will extend to the Soviet nationals employed in this office the travel regulations at present imposed upon the Soviet Embassy.

I suggest that the European Division should tell the Soviet Ambassador of our consent to this proposal at the same time as they give him several less welcome messages within the next few days.[73]

J. L[ÉGER]

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[72] Note marginale :/Marginal note:
?? L.B. Pearson

[73] Note marginale :/Marginal note:
OK [L.B. Pearson]

535. DEA/6226-A-40

Note du chef de la Direction européenne pour le sous-secrétaire d'État aux Affaires extérieures[74]

Memorandum from Head, European Division, to Under-Secretary of State for External Affairs[74]

CONFIDENTIAL [Ottawa], May 25, 1956

OPENING OF AN OFFICE OF EXPORTKHLEB IN VANCOUVER

The Commercial Counsellor of the Soviet Embassy called on me today to request clarification of a few points in our aide-mémoire of April 27, 1956,† to the Soviet Ambassador, concerning the conditions for the opening of an office of Exportkhleb in Vancouver. He wanted to know first whether the conditions which we had laid down were in accordance with Canadian laws. I asked him what he meant by that, and he said he understood that foreign companies which wished to operate in Canada were obliged to follow certain regulations. Were the regulations which we had laid down for Exportkhleb in accordance with those general Canadian laws?

2. I replied that the situation was quite different since it was not a question of a private foreign company requesting permission to operate in Canada but of the Soviet government, and this was inevitable since all Soviet trade was in the hands of the State. In this case it was a question of negotiating between two governments the conditions under which we were prepared to grant them the privilege of opening an office in Vancouver.

3. Mr. Lobatchev then mentioned that he had heard a Czech company was operating in Canada. I told him that that was true but that it would be obliged to function according to Canadian law and to register its charter according to Canadian laws. I added that the case was quite different since it had been founded just after the war as a private company, and we are prepared to permit it to continue to operate but in accordance with certain provisions.

4. Mr. Lobatchev then said he wished to ask for some information about a few points in our aide-mémoire. First, he wished to know why we were restricting the number of Soviet nationals, to which I answered that we considered that grain was already moving to the U.S.S.R. very easily without the help of an office in Vancouver and we thought that the number mentioned was quite adequate for this work. He then asked what was the reason for limiting the term under which it could function to the period of the Soviet-Canadian Trade Agreement, and I answered that this was not my particular field of activity but I presumed that at the end of that time there would be an opportunity to re-examine the whole question. Finally he asked me if we intended to open an office in the U.S.S.R. outside Moscow, and if so, where. I answered that as in all cases of this sort it was usually considered equitable and justifiable to proceed on the basis of reciprocity and that we wished to have the right to open an office outside Moscow. I said, on prompting from him, that such an office, if opened, would be located in a city of the U.S.S.R. which had a direct bearing on the question of Soviet-Canadian trade. It would not be chosen quite arbitrarily. He seemed satisfied by this answer.

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[74] Notes marginales :/Marginal notes:

Mr. Ritchie:- this is interesting J.F. G[randy]

Mr. Grandy: I am troubled by para 2. T[rade] & C[ommerce], and Finance as well as Legal should see. May we discuss. A.E. R[itchie]

5. Lobatchev then mentioned casually the visit of the delegation from the Canadian Chamber of Commerce and said he had the impression that they wished to do serious business. I told him that this was a private enterprise, but that in the talks we had had with Mr. Henderson and Mr. Wood we also had the impression that they wanted to make of this a worthwhile affair, in fact, that they would not go through with the trip unless they could be assured of the co-operation of the Soviet authorities. Lobatchev said he thought this was going to be arranged.

6. The Commercial Counsellor asked me if we had yet appointed an Attaché to our Embassy to look after the question of customs evaluations. I said that so far as I knew we had not yet done so. He replied that he hoped we would appoint a Commercial Attaché to Moscow who could look after both jobs. In his opinion this would be far more useful. I answered that it was a question partly of two different departments, and partly that there was not enough trade to justify, at the present time at any rate, the considerable cost of maintaining a Commercial Attaché at our Embassy in Moscow.

7. Finally, Mr. Lobatchev raised the question of foreign investments in Canada by saying that he was very interested in this question. He mentioned that Mr. Borisov, just prior to his departure for Russia, had talked to a Canadian Minister about U.S. investments in Canada. The Minister (I presume Mr. Howe) replied that Canada needed foreign capital and would welcome it from any source, including Russia. Now, Mr. Lobatchev wanted to know how to go about making investments in Canada. I replied that private individuals had presumably only to conform to our business laws but that I really knew very little about it, not being a capitalist myself. Investment by a foreign government was, however, another matter and I supposed would require inter-governmental negotiations.

8. Mr. Lobatchev thanked me very gravely for this information, and I have no doubt that after Mr. Borisov reported his conversation a serious study was undertaken of the question of the possibility of Soviet capital investment in Canada!

R.A.D. F[ORD]

SECTION B

VINGTIÈME CONGRÈS DU PARTI
TWENTIETH PARTY CONGRESS

536. DEA/5198-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa, March 1956]

TWENTIETH CONGRESS OF THE COMMUNIST PARTY OF THE SOVIET UNION

I am attaching for your information a departmental memorandum analyzing the main features of the 20th Party Congress. I am sure you will want to read it in its entirety, but I would draw your attention in particular to the opening paragraphs and to the conclusions.

Although it has not been prepared specifically for these purposes, I think it should serve you well for your discussions with Mr. Dulles at White Sulphur Springs, and also for your meetings with the External Affairs Committee.[75] It has been prepared on the basis of the texts of speeches given at the Congress and of the analysis provided by our Embassy in Moscow.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note de la Direction européenne

Memorandum by European Division

CONFIDENTIAL [Ottawa], March 13, 1956

THE TWENTIETH CONGRESS OF THE COMMUNIST PARTY OF THE SOVIET UNION

The main purpose in calling the 20th Congress of the C.P.S.U. was to lay down in unequivocal terms for the sake of Party and Government officials the new direction of Soviet policy, both internally and externally, under the present leadership. It must have been apparent to all within the Soviet Union that a new direction had been given to Soviet policy since Stalin's death and since the last Party Congress in October 1952, but to make clear what that new direction was and how it affected all aspects of internal and external policy, to remove possible doubts and ambiguities, a definitive and comprehensive statement was necessary. The fact that the 19th Congress was called in October 1952, thirteen years after the previous Congress, and the 20th Congress only 3 1/2 years later, is a clear indication that it was to serve the purposes of the new leaders in providing the platform for a clarification of their policies, and a shifting of blame for past failures onto the shoulders of Stalin and Beria.

The first impression from reading the reports of the Congress is that Stalin — and Stalinism — are indeed dead. With great frankness and with great self-confidence, the present leaders have rejected the isolation, the rigidity of thought and action, and publicly at least the terrorism which characterized Stalin's era. They have rejected one-man rule and have established firmly the principle of collective leadership, a leadership which promises a mellower rule and exhibits at least some concern for public opinion. Making virtue out of the necessity of avoiding all-out thermonuclear war, they have rejected the inevitability of war and committed themselves to a period of "peaceful co-existence" and economic competition with the non-communist world.

The leaders have not abandoned their ultimate aims for the socialization of the world. There is to be no peaceful co-existence between ideologies, and they remain convinced of the ultimate triumph of communism. New flexibility is to be permitted in the method of arriving at "socialism" and the possibility of different forms of socialism in different countries is recognized.

Heavy industry and the defence of the Soviet Union retain their priority over consumer goods. Although comparatively little was said about defence at the Congress, there was no indication there or elsewhere that the Soviet Union has any other intention than to maintain and even increase its defensive capabilities, despite pronoumcements on peaceful co-existence between states and the non-inevitability of war.

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[75] Notes marginales :/Marginal notes:
We would also wish to pass this on to the Prime Minister in view of his forthcoming visit to Washington, if you agree. [J. Léger]
OK L.B. P[earson]

The determination to catch up with the West industrially as quickly as possible and to use part of the product for economic penetration will continue to have precedence over the satisfaction of consumer wants within the Soviet Union. Basic to this determination is the necessity of raising the efficiency of the Soviet economic system, with more regard for pragmatism than for doctrine.

It would be agreeable to be able to lay claim in the West for the credit in forcing a change in Soviet methods. But, without minimizing the role played by Western unity in defence preparations in the face of the Communist threat, it seems more likely that it was primarily the ineffectiveness of Stalinism which caused the change. There is every reason to believe that most of Stalin's closest associates were beginning to question the validity of his methods even before his death, and some of these methods were scrapped within weeks of his demise. In the light of the developments since then it is apparent that this dissatisfaction with Stalinism has increased apace, and has little essentially to do with Western policy.

Stalin's foreign and internal policies certainly served their purpose but his fault was his unwillingness to recognize that they had to be changed to meet a new Western reaction. The new régime has shown remarkable ability in developing policies suitable for the present circumstances. It is an indication of stability in the Soviet political system that they were able to accomplish this change with a minimum (by Soviet standards) of upsets and bloodshed. This may not prove the strength of the régime, but it could scarcely have been accomplished by a group of men who felt weak or uncertain. And it must be admitted that the new policy is having considerable success and that, as the basic Soviet aims remain the same, the challenge from the USSR, while changed in character, remains strong and in some respects more dangerous than the nakedly aggressive policy of Stalin.

Foreign Policy

Two themes dominated the statements on foreign policy, and nowhere is the self-confidence of the present leadership more apparent than in this field. The first is that socialism has emerged from the confines of one country, beleaguered by hostile forces, and has transformed itself into a world system which is confident, growing and strong. The second is that peaceful co-existence between states of differing social system is not only desirable but necessary. "There are only two ways, either peaceful co-existence or the most devastating war in history. There is no third alternative." (Khrushchev). The two themes are closely intertwined.

Khrushchev has revised the Marxist-Leninist premise that while imperialism exists, wars are inevitable. He said: "The premise was worked out at a time when, firstly, imperialism was an all-embracing world system, and, secondly, the social and political forces not interested in war were weak and not sufficiently well organized, and by virtue of this could not force the imperialists to eschew wars ... as long as imperialism exists the economic basis for the outbreak of war persists ... The reactionary forces may try to let loose war. But there is no fatal inevitability of war ... There are (now) powerful social and political forces commanding serious means capable of preventing the unleashing of war by the imperialists, and — should they try to start it — of delivering a smashing rebuff to the aggressors and thwarting their adventuristic plans." Mikoyan put it more explicitly this way: "They (the Americans) are restrained — apart from public opinion, apart from the great military strength of the countries of socialism — by another new important circumstance. It is the appearance of atomic and hydrogen bombs not only in America but also in the Soviet Union, as well as the means to carry these bombs to any point on earth by aircraft or rockets." Zhukov added that the Soviet Union has diverse atomic and nuclear weapons, mighty guided missiles, among them long-range missiles, and a first-class jet air force. "The Soviet Union is now able to wreck any plans of the West to confine hostilities to the continent of Europe."

This, clearly, is the policy of the deterrent, turned to Soviet advantage. The leaders are saying in effect, that because of near-parity in the field of thermonuclear capacities, the deterrent is now two-edged. Zhukov, in his remark about Europe, may also be expressing the Soviet version of massive retaliation. If this is the case, we should certainly be taking a new look at our basic strategic planning, and at the possibility that the traffic will bear a considerable amount more Soviet "mischief" short of war, without risking the general war which both sides by tacit agreement appear to regard as unthinkable.

The world outside the U.S.S.R. is arranged in a Soviet order of merit which is quite revealing of the Soviet position. First come Communist China and the people's democracies of Europe and Asia with which closer economic relations are to be developed, closely followed by Yugoslavia. Next come the countries which have "liberated" themselves from the colonial system but have not permitted themselves to be drawn into military blocs — India, Burma, Afghanistan, Egypt, Syria and "other states upholding positions of peace" — followed by Finland, Austria and "other neutral countries." Thirdly come the countries with which relations are to be improved — United States, United Kingdom, France, Western Germany, Japan, Italy, Turkey, Iran and "other countries" — amongst which Iran, Turkey and Pakistan "will realize that normal relations with the U.S.S.R. are in their vital interest." The desire for better relations with the U.S.A. was re-emphasized.

It is significant that many of the countries along the periphery of the Sino-Soviet bloc which the Soviet Union is trying to woo by diplomacy, propaganda and economic measures are precisely those countries in whose territory are the United States Strategic Air Command medium range bomber bases. As a rough parity in thermonuclear weapons and means of delivering them is reached between the U.S.S.R. and the U.S.A., the major advantage of the West becomes what Paul Nitze has recently called the "geographical factor." The United States can only be bombed from bases on the Eurasian land mass; the U.S.S.R. is vulnerable to attack not only from North American but also from the ring of bases on the periphery of the bloc, from Norway to Pakistan. In taking the diplomatic, propaganda and economic offensive against these countries, the Soviet Union is doing so not only because many of them are under-developed and therefore offer good possibilities for an extension of Soviet influence. It is doing so also, and perhaps primarily, because of the existence of American bases on their territory. The Soviet offensive against some of the neutral and under-developed countries on its periphery can be at least in part explained by the desire to deny the use of their territory to the bomber and possible missile bases of the United States.

Collective security in Europe, collective security in Asia, and disarmament are singled out as the cardinal problems. Nothing new emerged on the first of these, except warnings that a "Washington-Bonn axis is increasing the war danger" and that the re-armament of Germany will reduce France to a third-rate power. There was no elaboration on collective security in Asia, merely a handsome tribute to India's Five Principles and China's proposal for a collective peace pact in Asia. On disarmament, Khrushchev re-iterated adherence to the Soviet proposals of May 10, 1955[76] and then said: "Pending agreement on the major questions of disarmament we express readiness to agree to certain partial measures in this sphere, such as the cessation of tests of thermo-nuclear weapons; not to permit the troops on the territory of Germany to have atomic weapons; reduction of military budgets." The first proposal is designed to embarrass the United States and the United Kingdom, which intend to have further tests this spring; the second would frustrate NATO plans for the use of tactical atomic weapons in Europe, which are essential for the defence of Western Europe; and the third would give tremendous advantage to the USSR which can, and does, hide military expenditures in other parts of its budget in a manner not possible in democratic countries.

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[76] Voir/See *Documents on Disarmament, 1945-1959*, Volume I, 1949-1956, Washington: United States Government Printing Office, 1959, pp. 456-467.

As to the manner of dealing with these and other problems of foreign policy, Mikoyan, in an obvious attack on Stalinist foreign policy (and presumably on Molotov's method of implementing it) said that — "certain ossified forms" of Soviet diplomacy and foreign trade had now been discarded. The Central Committee was now pursuing an "active, flexible foreign policy high in principle, restrained, calm in tone and without sharp words". The Soviet Government had freely acknowledged "mistakes and shortcomings" in foreign policy and had rectified them.

Communism Abroad and the Transition to Socialism

Khrushchev had some particularly interesting things to say about the transition to "socialism" in other countries, both those which have already achieved it and those which have not. With respect to the former, he accepted as a point of doctrine what was implicit in the Soviet leaders' pilgrimage to Belgrade in May, 1955 and the rapprochement with Yugoslavia. He recognized that the re-organization of society along socialist lines may take different forms in different countries. As examples he cited the U.S.S.R., the people's democracies of Europe, Communist China and Yugoslavia. By so doing, he developed a much safer and more flexible theory than the Stalinist precept that all socialist countries must be modelled on the Soviet Union, a position which had become completely untenable in the light of developments in Yugoslavia and China in particular. There is little doubt that this is directed primarily at bringing Yugoslavia back into the fold, and secondarily at Communist China, where the theoreticians may have found a little bit galling the Soviet monopoly on the orthodox interpretation of the Marxist-Leninist scriptures. It does not imply, however, any relaxation of Sovietization in those countries of eastern Europe whose governments are directly subject to Soviet pressure and "advice."

Of even greater interest is the departure from the traditional stand that the transition to socialism must be accompanied by violence. Khrushchev said: "It is quite likely that the forms of the transition to socialism will become more and more variegated ... Civil war [is not obligatory] in all circumstances ... The winning of a stable parliamentary majority based on the mass revolutionary movement of the proletariat, would bring about for the working class of a number of capitalist and former colonial countries [the transition to socialism]. Of course, in countries where capitalism is still strong, and where it controls an enormous military and police machine, the serious resistance of the reactionary forces is inevitable. There the transition to socialism will proceed amidst conditions of an acute class revolutionary struggle. The political leadership of the working class, headed by its advance detachment [by which is meant the Communist Party] is the indispensable and decisive factor for all the forms of transition to socialism."

The new element in doctrine is the possibility that parliamentary action can lead to "socialist transformation" in the communist sense. This can only come about under the leadership of the Communist Party, by converting parliament from "an organ of bourgeois democracy into an instrument of genuinely popular will." Although it is not spelled out, it is quite clear that, once having achieved the socialist transformation of society, there would be no turning back by parliamentary processes. Reformism as such is just as firmly rejected as ever, even though the possibility of cooperating with the social democrats is envisaged in order to effect the transformation presumably on the Czech model. There is a clear call for renewed efforts on the part of the communists to form popular fronts particularly in France and Italy, as a means of gaining power. Of these countries, Khrushchev said: "The French and Italian working class, the French Communist Party and the Communists and Socialists of Italy have won signal successes in the parliamentary elections." No doubt the passages on parliamentary action are also directed at the uncommitted and former colonial countries, such as Indonesia, where, although there is respect for parliamentary forms, there is less understanding than in the West of how these forms could be twisted to communist ends.

The effect on the class struggle abroad is difficult entirely to foresee. In Italy we have already had an indication that the militants are not happy with the prospect of awaiting the Revolution by peaceful parliamentary means. Thus while giving to foreign Communists the means of co-operating with the Socialists, and appeasing the latter's fears of Soviet Communism, the Soviet Communist leaders may be weakening the élan which is needed to keep communism a driving force.

In spite of the stand on peaceful co-existence between countries with different political and social systems and economic competition with capitalism, there can in the Soviet view be no peaceful co-existence on matters of ideology. The passages on the transition to socialism made clear the transitory nature of peaceful co-existence, or rather that peaceful co-existence applies only to the avoidance of thermonuclear war. They merely mean that Communist power in a foreign country may be obtained by parliamentary methods; after that the Government falls automatically into the Soviet pattern of government, or something closely akin to it. And behind the policy of peaceful co-existence stands Soviet armed strength as a powerful instrument of blackmail when required. The C.P.S.U. and Communist Parties abroad are re-assured that faith in the ultimate triumph of communism throughout the world is as firm as ever.

Internal Policy

If the Soviet leaders wanted to impress one thing on the Party Congress and on the people of the Soviet Union it was that one-man dictatorship, with all it implied, is gone and that a collective leadership now governs the U.S.S.R. No single aspect of the Stalinist era came in for such widespread and thorough-going castigation as the "cult of personality", the deification of the individual, and specifically the supreme dictator who guided the destinies of the USSR with an iron hand for almost thirty years. The complete deference to Stalin was dropped within a very short time of his death. Attacks on the cult of personality have increased in the past year though as late as December 1955 Stalin was still referred to as the "true disciple and continuer of Lenin." The 20th Congress has given the *coup de grace* to the cult of personal leadership. One-man rule and Stalin's ideological contributions are to be completely dropped and discredited. Stripped of his ideological honours and of the mantle of omniscience, he may remain as the leader during the Great Patriotic War, perhaps flanked by a pantheon of the generals, but he no longer ranks with Lenin in communist mythology. He will, of course, provide the perfect scapegoat for any admission of errors in internal or external policy, from which the present leaders will be able to dissociate themselves.

Two of Stalin's major works came in for severe criticism, both of them most fully by Mikoyan. The first was the *Short History of the C.P.S.U.(B)* which has been the bible of the party since it appeared in 1939. Khrushchev said that a new party text-book was called for "based on historical facts". Mikoyan more explicitly condemned the *Short History* for its distorted version of the civil war of 1918-20 and the purges of the 'thirties, referring to the "alleged treacherous activity of individual party leaders of that time, who were unjustly declared enemies of the people many years after the events described." It is ironical that the present leaders survived the purges by aligning themselves with Stalin or at least by avoiding association with the purged leaders, and also were instrumental in effecting the purges. It is fascinating to conjecture which victims of the purges may now be re-instated in grace. The most important thing, however, is that the present régime is very anxious to dissociate itself from Stalinist terrorism and illegality, a fact borne out by the current emphasis on due regard for law, the large-scale releases of prisoners from forced labour camps and the diminished role of the secret police. This is not to say that the old methods of internal control could not become operative again tomorrow if the leaders felt it necessary because of a threat from abroad, a danger to the economy, or a threat to their positions. But the longer the "liberalism" persists and the further it extends, the more difficult will it be to revert to old methods.

The second major work of Stalin to come under fire has been his *Economic Problems of Socialism in the U.S.S.R.*, a development foreshadowed by the establishment of an Institute for the Study of the Capitalist Economy and the partial re-appearance of Varga, the prominent Soviet economist who was discredited because of his disagreement with Stalin's interpretation of capitalist economics. Mikoyan referred to Stalin's analysis of the economy of the Soviet Union and the peoples' democracies as "superficial", and also said that it did not explain the growth of capitalist production in many countries since the war. Khrushchev stated that "only a timely confluence of circumstances of a favourable nature in capitalism retarded the growth of economic crises" but Mikoyan, the acknowledged economic expert in the party praesidium, warned that "we are seriously lagging behind in the study of the contemporary phase of capitalism," particularly the character and periodicity of the cyclical crises. The two themes of rejection of the major works were neatly blended in a final movement which was little more than a coda; Varga, the economist, has written an article in *Pravda* which re-instates Bela Kun, the Hungarian communist leader who was a contemporary of Lenin and who was purged by Stalin in the 'thirties.

The vehemence of the attacks on Stalin and Stalinism suggests that the present leaders, the successful survivors of his immediate entourage, not only lived in terror of him and of the suspicion and intrigue which surrounded him, but also disagreed strongly with many of his policies without daring to voice their disagreement. They realized the blind alley into which Stalinist isolation and inflexibility had led Soviet policy, and now have had three years which seem to vindicate thoroughly their decision to break with that policy. Three years of increasing contact with the outside world, of flexibility and imagination in foreign policy, of comparative relaxation of methods internally, have done even more than the leaders might have expected. They have regained the initiative abroad, though at the expense of a retreat from Austria, Porkkala and Port Arthur, and they have increased the popularity of the régime at home. Collective leadership is working, and there is probably a tacit understanding among the leaders that no one of them will try to break the winning combination in the immediate future.

There has been no change in the Praesidium of the Party itself, though the number of candidate members has increased from two to six. New appointments are Marshal Zhukov, Minister of Defence; D.T. Shepilov, editor of *Pravda* and a foreign policy expert; two protegés of Khrushchev connected with the régime's drive to increase agricultural output, L.I. Brezhnev and N.A. Mukhitdinov, of Kazakhstan and Uzbekistan respectively; and one woman, E.A. Furtseva, First Secretary of the Moscow Town Party Committee, the post once held by Khrushchev. Zhukov is the first professional military man to reach as high as candidate member in the Party hierarchy (he is still not a deputy chairman of the Council of Ministers), but it is not surprising that as important a person as the Minister of Defence should form part of the Party inner circle, first among the candidate members. No undue significance should be attached to the increase in army representation on the Central Committee. Khrushchev continues, of course, to head the Secretariat of the Party, to which have been added Furtseva and Brezhnev. The impression gained is that, while Khrushchev has strengthened his position by the addition of some of his protegés to the Central Committee, the Secretariat and the candidate membership of the Praesidium, he has not yet achieved anything like the pre-eminence of Stalin even within the Party. The Party Secretariat and Praesidium rule the USSR but no one man dominates the Party structure completely. We can expect that, for a few years at least, collective leadership by more or less the present group will continue and that the changes which occur will be relatively unostentatious.

At least through the sixth five-year plan the emphasis will continue to be laid on heavy industry to enable the Soviet Union to catch up with the West industrially, though not to the neglect of the defence potential. The strides made in this field are full justification in the eyes of the leaders for the continuance of this policy. Emphasis is also laid on the further development of the resources of the eastern regions, where the principal centres of industries consuming a great deal of fuel and power will be concentrated. Malenkov, who thought the time was ripe for greater emphasis on consumer goods, has again been rebuked. But while his theories have been rejected, the leadership sees the desirability of offering some material incentives to the people, and has announced that there will be increased production of consumer goods, a reduction in working hours, an improvement in the pension system and an amelioration of housing conditions, including a larger scale of private house-building from personal savings. (Price cuts are to be smaller than originally intended so that these measures can be carried out). It is significant that these popular measures should be announced during the Party Congress and not at the time of the announcement of the sixth five-year plan, a fact which is surely designed to enhance the prestige of party leadership. An improvement in living standards "remains the constant objective".

Agriculture remains the weakest sector of the economy and emphasis there will be shifted from more extensive to more intensive cultivation. A sharp increase in grain production, especially maize, and a doubling of cereal products, was demanded. There was also reference to more efficient agricultural production and better conditions for the collective farms. It is an indication of the strength of his position that Khrushchev, the originator of the far-from-successful virgin lands project, was able to assert blandly that the party's decision on virgin lands was correct. The failures there came in for virtually no criticism.

There is a thoroughly pragmatic approach to economic problems. Mr. Khrushchev referred to the necessity for cost-accounting, labour incentives and managerial efficiency, methods which make sense in any economic system. He also said that it was not necessary for each of the European satellites to concentrate on all branches of heavy industry; they could better specialize in the production of lines to which they are best suited, especially in agriculture and light industry, to the benefit of the whole Soviet bloc. This shows a recognition of the economic wisdom of specialization within the bloc although it does not necessarily or even probably mean a reversal of the forced industrialization which has characterized all the economic plans of the satellite countries up to date.

Nevertheless, there is no indication that the basic economic problems of the country are likely to be solved in the near future. These problems are primarily the question of labour productivity, and agriculture. Increased automation may be the answer to the first but it is a slow and costly process. And in the countryside, the Congress showed no real awareness of the necessity of improving the lot of the over one hundred million peasants if the food production is ever to be increased substantially.

Ideology

Although some important modifications of communist doctrine have been put forward at the congress, and although the leaders are propounding a thoroughly realistic and pragmatic approach to both foreign and internal affairs, there is no indication of any abandonment of ideology as such. There is, in fact, considerable emphasis on ideological purity and a refurbishing of Leninist doctrine to lend suitable doctrinal support for the policies of the present leaders.

Khrushchev made a strong point of distinguishing between peaceful co-existence and economic competition on the one hand, and co-existence of ideologies on the other. The former is the touchstone of current foreign policy, but the latter is condemned roundly. Khrushchev's emphasis on this latter point and an article on the same subject which appeared recently in *Party Life* suggest that all the talk of peaceful co-existence has been having its effect within the Soviet Union and that not all Soviet officials were drawing the clear distinction which Khrushchev has drawn. Such a blurring of distinctions would make more difficult the Party's control of orthodox thinking on the ultimate "universal triumph" of communism, and also, perhaps, weaken the zeal of the cadres. The Congress was the place to set matters straight, and in order to show how the triumph of communism will come about, Khrushchev has gone into some detail as to the nature of the transition in various countries. The inevitability of civil war in all cases and the "one-road-to-socialism" approach are modified to bring them into line with present facts, but a new doctrine is propounded to replace the outmoded one.

Molotov's public recantation of his erroneous statement that only the "foundations of socialism" had been built in the U.S.S.R. was brought up by Khrushchev as a further rebuke to the Foreign Minister. He reiterated that socialist society had been built "in the main" by 1936 and had continued to develop along socialist lines since then.

We are not left without doctrine. It is quite unrealistic to think that ideology, a powerful weapon in the techniques of control, will be dropped just because the Soviet state seems to be moving into a new stage in its development. It is mildly encouraging, however, to find some evidence that, as we hoped would be the case, the emphasis on peaceful co-existence does not play entirely into the hands of the régime, and that it creates some problems for the Soviet leaders as well as for ourselves.

Conclusions

It must be admitted that the Soviet leaders have some cause for the self-assurance which has permeated the atmosphere of the congress. The Soviet Union is no longer the lone socialist state, backward in industrial development and wracked by purges and terror, surrounded by the hostile forces of the capitalist world. The socialist camp extends territorially from the middle of Europe eastward through China to the Pacific Ocean. Around the borders of this huge area are a number of neutral and uncommitted nations many of which, while not aligned with the Soviet Union, are not actively hostile to it and certainly are not actively aligned with the Western democracies. In the under-developed countries of this area, the Soviet Union has made a disturbingly successful beginning at economic penetration, a much subtler and in many ways more dangerous form of potential domination than the ideological or the cruder military. Beyond this area again, the Soviet Union is seeking means of extending its influence by offers of bilateral agreements, by offers of cooperation with democratic socialist forces, and by removing from communist doctrine some of those features which have helped to rally the opposition of the non-communist world to communism. Internally, they are seeking to make the Soviet system efficient and even to a degree popular; externally, they are seeking to make it appear respectable and genuinely peace-loving. There is some doubt as to how successful they can really be on either count, since the Soviet system is hardly likely to be able to change very fundamentally.

To sum up, the following may be construed from the Twentieth Party Congress:

(a) The present leaders in the Soviet Union are exuding self-confidence because they believe in the correctness, and the success, of their policies, though we can over-emphasize this. It would be natural in such a gathering for the leaders to indulge in considerable self-praise. It may be the Soviet version of the United Kingdom Conservative Party's slogan "Invest in Success".

(b) The principle of collective leadership is firmly established, at least for the time being. Khrushchev is the dominant figure, but he gives no indication of trying to set himself up as the successor to Stalin. The cult of the individual is thoroughly discredited.

(c) Stalin has been discredited for his policies and his doctrine. Lenin remains as the interpreter *par excellence* of Marxism-Leninism but the present leaders are sure enough of themselves to be prepared to modify even some Leninist precepts in the light of current conditions, e.g. the doctrine of inevitable war between socialism and capitalism.

(d) Some slight mellowing of the régime is apparent in both internal and external policy. Internally, the discontent of the intelligentsia with the Stalinist straight-jacket may be one of the causal factors. But the most important reason is that the present leaders feel so sure of themselves and of the system that they find a mild increase in liberalism contains no threat to their position, and indeed strengthens it. Externally, the mellowing springs from a realization that "normal" relations and a more civil approach are likely to contribute to, and succeed in, a period of détente. Yet this mellowing cannot go far without undermining the very foundations of the régime.

(e) Heavy industry will continue to get priority over consumer goods to enable the Soviet Union to catch up with the West industrially, but some concessions will be made to the people to ensure their support of the régime without recourse to terrorist methods.

(f) Peaceful co-existence between states of differing social systems will continue to be the theme of Soviet foreign policy. The Soviet Union will concentrate its attention on the neutral and uncommitted nations, particularly by economic means, but will try to enter into bilateral negotiations with the Western democracies in an attempt to weaken their unity in opposition to Soviet communism.

(g) In spite of the talk of peaceful co-existence there is every indication that the USSR intends to maintain and even increase its military capabilities. These capabilities will not be jeopardized by the demands of heavy industry, of consumer goods or of economic assistance to underdeveloped countries.

(h) The implications of thermonuclear warfare are recognized by the Soviet leaders. The inevitability of war between socialist and capitalist powers is rejected because of the supposed deterrent effect of Soviet thermonuclear warfare capabilities and Soviet economic strength.

(i) Despite co-existence between states, there can be no co-existence between ideologies. The communists will continue to attack capitalism, and are convinced that eventually their version of "socialism" will triumph.

(j) The transition to socialism is expected to come about in various ways and not necessarily by civil war. In some countries, it may come about by parliamentary means, though the communists will always lead the transition, and once in power will see to it that there is no turning back.

(k) Different forms of socialism are recognized. Not all countries will achieve it on the pattern of the Soviet Union. Yugoslavia and Communist China are valid expressions of the socialist state.

537. DEA/5198-40

Note pour le premier ministre[77]

Memorandum for the Prime Minister[77]

CONFIDENTIAL [Ottawa], March 27, 1956

A FEW THOUGHTS ON THE DESTRUCTION OF THE STALIN MYTH

The developments in the U.S.S.R. during and since the end of the Twentieth Party Congress mark the latter as a milestone in Soviet history as important in its way as the death of Stalin. We have very little precise information about the Khrushchev attack on Stalin at the last closed session of the Congress, and the reported riots and demonstrations in Tbilisi and other Soviet cities as a result of the demolition of the "little father". Therefore, the following comments must of necessity be purely speculative. In view of the confusion that always seems to reign over events in Russia they are submitted at the risk of creating "obscurum per obscurius".

2. There can be little doubt that the myth of Stalin is being completely demolished. It started, after all, within a few weeks of his death, and has continued slowly, and often unobtrusively, ever since. Until now the body of Stalin — like that of Oliver Cromwell, is, post-mortem, likely to be hanged, drawn and quartered. Why?

3. It is difficult to do much more than speculate on the reasons why Khrushchev and his colleagues felt it was necessary to put the finishing touches in such a brutal way to the job of rewriting the history of the Russian revolution. It is hopeless to try to arrive at any real estimate of the feeling of the various peoples of the U.S.S.R. towards Stalin, and is therefore very difficult to analyze what may be their reaction to his "exposure". They had all been indoctrinated for nearly thirty years to accept him as a demigod. Many of them in the best Russian tradition no doubt accepted him as the personification of the Czarist myth and excluded him personally from their hatred of the bosses who brought misery on Russia. Others, good patriots, may have associated him in their minds with the great Russian victories. Even among the members of the Party there must have been a good deal of ambivalence in their thinking. But surely the kind of indoctrination given to the Komsomols and Party members during the last two decades would be hard to eradicate.

4. Among the more intelligent members of the Party, and throughout the educated classes as a whole, however, there must have been many who, even while Stalin was at the summit, felt humiliated and terrorised by the kind of oriental despotism, with all its manifold absurdities, which Stalin imposed. Many thinking people doubtless managed to give the impression of complete conformity, who never secretly accepted what their brains told

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[77] Note marginale :/Marginal note:
(Mr. Ford's memorandum, revised by Mr Pearson) [auteur inconnu/author unknown]

them was impossible. The best example is the case of the botanist Lysenko.[78] When Stalin accepted his patently false theory of heredity, every scientist in the U.S.S.R. agreed with Lysenko. This continued for some eight years. The day after Lysenko's theories were denounced, all the scientists reverted to botanical orthodoxy — and were no doubt relieved to be able to do so.

5. Even in 1953-54 one could feel in Russia a great longing to return to normality. Stalin's death seemed to remove a great incubus from the whole country. Particularly among the "upper" Communist classes we could guess that the time was coming when they would want not only the relative material comforts they had gained, but greater intellectual freedom; above all the hope of security, and the possibility of passing on their advantages to their children. The natural tendency towards a consolidation of the gains made by the new upper classes was postponed for almost two decades by Stalin. I think his death released all the pent-up longing of the Communist bourgeoisie towards conservatism, inevitable in any revolution.

6. Khrushchev may well have had four things in mind in destroying the Stalin myth. First, he wished to give satisfaction to this upper class; the people who hold the future of Russia in their hands. The present rulers know very well what these people want, and Khrushchev may think it is easier to give the impression of clearing the air intellectually than to give them something more concrete.

7. Second, he may have had in mind the top members of the hierarchy, the Presidium of the Party, and the Central Committee, which is undoubtedly more influential now than it ever was in the past. The fear among them of a return to the arbitrary régime of Stalinism may have been so great as to force a complete demolition of Stalin in the hope that it would become completely impossible for any one man again to establish a personal dictatorship, though it must be noted that the machinery by which Stalin established his personal rule still exists intact. There must also have been many secret disagreements by the hierarchy with Stalin's policy, even before his death, so that this decision to do away with the old now can hardly be new. I imagine also that the shooting of Voznesensky in 1949,[79] now announced for the first time, must have played a major role in their thinking since he could by no stretch of the imagination have been a traitor. Head of the State Planning Commission, he simply differed from Stalin in his estimate of Soviet economic capacities. Khrushchev and his friends may have lived in genuine terror during the last months of Stalin. They may have decided to destroy Stalinism so as to prevent the emergence of a new Stalin among them with the same power to terrify and purge. They may want "collective security" in a personal sense.

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[78] Trofim D. Lysenko, agronome ukrainien, a rejeté la génétique traditionnelle pour soutenir que l'environnement a provoqué des changements structurels chez les plantes et chez les animaux qui étaient transmis à leur descendance en l'espace d'une ou de deux générations. Entre 1948 et 1953, par exemple, il prétendait que le blé cultivé dans un milieu adéquat produisait des grains de seigle.

Trofim D. Lysenko, a Ukrainian agronomist, rejected orthodox genetics to argue that the environment caused structural changes in plants and animals that were transmitted to their offspring within one or two generations. Between 1948 and 1953, for instance, he claimed that wheat which was grown in an appropriate environment produced seeds of rye.

[79] Nikolaï A. Voznesensky était président de la Commission de planification de l'État et membre à part entière du bureau politique lorsqu'il a été tué par balle, sur l'ordre de Staline, pendant l'épuration du parti communiste de Leningrad de 1950.

Nikolai A. Voznesensky was Chairman of the State Planning Commission and a full member of the Politburo when he was shot on Stalin's orders during the 1950 purge of the Leningrad communist party.

8. Third, the majority of the politically semi-literate people, and particularly the peasantry, had a deep-seated hatred of either communism or the régime. There may have been a tendency to exclude Stalin himself from this hatred and to blame the people around him for the difficulties of their lives. This was certainly the tendency in old Russia. Even up to 1917 the majority of the people did not blame the Czar for their troubles. They blamed the men around him who had misled him into wrong policies. Khrushchev and his friend may now hope to deflect all this criticism from them to Stalin himself, thus making it possible to increase their own popularity.

9. Finally, the Soviet leaders may have had in mind trying to help their foreign policy aims; not only by eradicating the more obnoxious aspects of Stalin's handling of foreign affairs, but more positively in connection with the attempt to woo left-wing parties abroad. The Russians must know that it will not be as easy now as it was in the thirties to organize popular fronts. There is no common enemy ready-made. You cannot at the same time praise the U.K., French and Italian peoples and even governments and be very successful in portraying them as a menace to the existence of international communism. The fifteen or so years since then have pretty thoroughly disillusioned most of the socialists. But if the Stalinist era can now be portrayed as merely a horrible mistake, the Russians may hope that the socialists throughout the world will forget it and return to the period of the popular fronts. To use a rather far-fetched analogy, the present Soviet leaders may be compared to a woman who has been the mistress of a gangster for many years — partly because she was forced to live with him, partly because she liked the material comforts that went with it. When the gangster dies she is a bit bewildered. She wants at the same time to hold on to her gains, and yet to be accepted back into polite society. So she starts painting the gangster in the blackest colours, say she was forced at gunpoint to live with him, and wants to return to normal with other people, if necessary by contributing to the Red Cross, maybe even agreeing to put her gun away!

10. The next thing to consider is how successful Khrushchev is likely to be in these aims. To take the fourth point first. I think it will be some time before the full impact of the rewriting of history and ideology in the U.S.S.R. can be gauged. It can hardly fail in the long run to have some effect on socialists everywhere, and on neutralist countries, particularly Yugoslavia. No one has said very much about China, but the effects of the new line there could be far-reaching. And in the satellites, where the cult of Stalin continued far longer than in the U.S.S.R. itself, there may be serious difficulties in adjusting to the new policies. If Soviet handling of foreign affairs should continue to be relatively polite and in accordance generally with international ground-rules, it could have considerable effect in Western Europe, even in centre and right-wing circles. At the same time it will inevitably influence the nature of western communist parties. In the short run the idealists may be bewildered, and the militants may resent the new instructions. (The tough wing of the Italian Party has already rebelled). In the long run the aura of respectability may not sit well on a movement which surely requires a high degree of militancy and revolutionary ardour. Its "mystique" may be effected, but in the short-run the new line gives it a greater chance to play an open and possibly more effective role in Western political life.

11. As far as Russia itself is concerned it would appear that the leaders are moving cautiously in trying to explain the new line. The riots and protests in Georgia and elsewhere are as yet unconfirmed. Yet they may well have taken place. It is not an easy thing to reverse the thinking of a people, conditioned completely over a long period of time. Total reversal is, however, typical of a race that seldom does things by halves, as is the Russian way of life.

12. I think the present leaders would not have decided on this course without pretty careful calculations as to its effect. Certainly in the army they must have counted on full support, and this may explain the rehabilitation of Tukhachevsky.[80] By laying the blame for weakening the army in the thirties on Stalin, and for failing to prepare for war in 1941, the army can absolve itself from criticism for the disasters of 1941-42.

13. Curiously enough, little, so far as we know, has been said about the Nazi-Soviet pact, up to now defended as essential to prepare the U.S.S.R. to resist the Nazi invasion. I wonder if the Russians will next denounce it. This would leave the foreign communists out on a very long limb.

14. To return to Russia itself, I presume the leaders, with the huge resources of their propaganda machine, will be able to handle the situation, and the new orthodoxy will be accepted in due course without too much trouble. It does seem, however, that Khrushchev and company are exposing themselves to very real dangers in the long run. The first and most obvious is that, by asking everyone to believe that there was hardly one word of truth in everything presented to the Soviet peoples over the last twenty or thirty years, the leaders are surely planting a very big grain of doubt and skepticism in the minds of the people about future propaganda.

15. Second, it seems difficult to believe that the present leaders, who were closely allied in the public mind with Stalin and his policies, can persuade the people that they were in no way responsible for the crimes he is now said to have committed. Khrushchev himself was the special agent of Stalin in the brutal repressions in the Ukraine after the war. At the moment most of the leaders are in the same boat, but if differences arose it would be relatively easy to accuse one of them of having in fact been a willing aide of Stalin.

16. A return to absolute dictatorship now seems difficult. But the man who controls the Party apparatus, Khrushchev, will certainly be able to exercise a preponderant influence in policy. How it would work out if Khrushchev, who has the vigour and personality to dominate, were removed, is difficult to say. It still seems that really collective rule, while possible with the present team, cannot continue indefinitely. It is against the Stalin tradition as well as Communist ideology.

17. The biggest effect is likely to be felt among the intelligentsia and the younger members of the Communist Party; the latter because new ideas are being introduced into their thinking, and because there must be a certain resentment among them at the kind of closed corporation of the hierarchy.

18. The new wind being permitted to blow through the musty corridors of intellectual thought in Russia may for the time being satisfy the intelligentsia, but in due course this could be dangerous to the régime. I do not mean dangerous in the sense that it is likely to spark a revolution, but in that it is more likely to make it impossible to turn back. Once you have advanced down this path it is impossible to predict where it will lead.

19. The important thing is that the atmosphere is changing rapidly in Russia. Even one year after Stalin's death one could feel that this vast country was stirring. I am sure that one could hardly recognize the situation now as resembling that in, say, 1951.

20. But if Russia is becoming more "normal", if you can ever apply that adjective to Russia; more interested in practicalities and less in the strict application of Marxist doc-

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[80] Le maréchal Mikhaïl Nikolayevich Tukhachevsky était vice-commissaire à la Défense lorsqu'il a été exécuté pendant l'épuration de l'Armée rouge de 1937.
Marshal Mikhail Nikolayevich Tukhachevsky was Vice-Commissar of Defence when he was executed during the 1937 purge of the Red Army.

trines, it does not necessarily mean that it is less of a threat — not in a revolutionary way, but simply as a great power — to its neighbours. Indeed utilization of the brains and intelligence that certainly exist in Russia, instead of the rather sterile beating of them on Stalinist stone-walls, may make Russia far more difficult to contain. But the tremendous drive and resolution may gradually be dissipated, or rather diverted from one tremendous public end to the consummation of millions of private aims.

21. What we cannot ignore is that something very important and fundamental is taking place in Russia. What we must do is to try to exploit it in the interests of peace and freedom. If the Soviet leaders are capable of such flexibility in their thinking on internal affairs, and if they become pre-occupied with the problem of adjusting the Russian people to the new line, and of solving their many economic problems, which there is no reason to think are near solution, then we ought to assume that this may well be the best occasion to try to tackle seriously with them some of the problems of foreign policy on which we have not so far made any progress. I mean in particular disarmament; the Middle East, Indochina and possibly even German reunification. But to make any progress in exploiting the new Russian situation to our own advantage, I think we would have to take them more, if not into our confidence, at least into consultation; treat them more as a member of the *group* of great powers — at the United Nations and elsewhere.

22. In Stalin's day we were faced with the paradox that the Russians wanted to be members of the group while not prepared to abide by the rules or to use membership for any but diversive and subversive purposes. I do not think we should any longer assume that that situation still exists, at least in the simple form to which in the past we have become accustomed. Nor should we assume, of course, that it on the other hand has changed — so far as the ultimate objectives of Moscow are concerned.

23. What we *should* do, as I see it, is to try to find out, and this requires a most forthcoming attitude to — a greater willingness to talk with and seek solutions to problems with the new rulers of Russia who are operating in a new way.

24. As long as we do not blind ourselves with wishful thinking, slacken our defence efforts or weaken our unity, we would have nothing to lose by such a change of tactics on our part in responding to the change in Moscow. We *may* have much to gain.

538. DEA/50170-40

Le sous-secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Union Soviétique

Under-Secretary of State for External Affairs
to Ambassador in Soviet Union

LETTER NO. 5-289 Ottawa, June 18, 1956

CONFIDENTIAL

KHRUSHCHEV'S DENUNCIATION OF STALIN

The alleged text of Khrushchev's speech, in which he denounced Stalin at the end of the 20th Congress of the CPSU, and which runs to about 85,000 words, has recently become available. It was released to the press by the State Department on June 4 last, and a copy is attached.[81] This would appear to be the text which was released to the communist parties of Eastern Europe, and may be identical with that circulated within the Party in the USSR. It is not known whether it records all of Khrushchev's remarks at the Party Congress.

2. The text reveals that the Central Committee of the CPSU established a Commission to inquire into Stalin's behaviour shortly after his death. The wealth and variety of the materials released point, consistently, to an inquiry which has been under way for some time; but the anecdotal nature of the evidence offered for the later period of Stalin's life suggests that the examination had not progressed far beyond 1937. The composition is possibly even looser than is typical of most of the Soviet leaders' speeches, and this may testify to a last minute decision to assemble the available materials, as well as to the emotional disturbance of the author.

3. There is no attempt to evaluate Stalin's positive achievement, though we have reason to believe that this was done in a first part of the speech not available to us. But the published portion of the document is designed to demonstrate the evils of his behaviour and to indicate some of the consequences. It is as though the energies of the writer are consumed in the indictment. For this constitutes the bulk of the address, and the treatment of the consequences adds little to the generalities already published in the Soviet press.

4. After recalling that Marxist ideology is opposed to the "cult of personality" (an expression coined by Marx himself), Khrushchev read letters by Lenin and the latter's wife which documented Stalin's tendency in this direction shortly after the Revolution. Stalin is attacked for the ruthless suppression of ideological opponents even after the Party had consolidated its position. A number of cases are cited over the whole period of Soviet history, where individuals have been liquidated on fabricated charges. Apparently plausible explanations of old mysteries emerge, e.g., physical torture, officially condoned by Stalin, explains the incredible "confession" of the purges.

5. The speech stresses that it was the collaboration between Beriya and Stalin that resulted in the terror of the recent past, though this we may be justified in treating skeptically. Stalin's incapacity as a war leader is demonstrated at some length, and many of the country's difficulties during the Second World War are attributed to him. There is a crushing indictment of Stalin's megalomania in the description of his own amendments to his official biography. Especially after 1945, the late leader was wholly out of touch with reality, became pathologically suspicious, and almost certainly plotted the removal of the present leaders.

6. Khrushchev took rather more pains to explain the role of the *Politburo* during the Stalinist misrule than the West has been led to believe. But his explanation of its inaction reduces simply to the fear of liquidation, which was shared by the topmost levels of the hierarchy. He ostensibly assures that this will be adequate for his people. But there surrounds the document as a whole an aura of indirect speech. The reader is left with the suspicion that it is really an apologia by the present leadership for having sped the late dictator on his way. In any case, in this respect, the document is an unique revelation of the real climate of political life in the USSR.

7. The document has thrown little light on the apparent motives of the denunciation. These motives are implicit in the effects of Stalin's methods: a general loss of *élan* and the sterile bureaucratization of the state. The references to his influence on foreign policy are

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[81] Pour le texte du discours de Khrouchtchev, voir United States, *Congressional Record*, 84th Congress, 2nd Session, 1956, C11, Part 7 (June 4, 1956), pp. 9389 à 9402.
For the text of Khrushchev's speech, see United States, *Congressional Record*, 84th Congress, 2nd Session, 1956, C11, Part 7 (June 4, 1956), pp. 9389-9402.

notably slender: the schism with Yugoslavia is attributed to Stalin, and the régime has "paid dearly" for this; and one-man decisions caused complications and threatened peaceful relations with other powers. There is a compelling inference that more could and may yet be released.

8. It may be that the speech emphasizes the circumstances behind these motives, and suggests the weight of the pressures on the present régime. Ostensibly, the Soviet people in general had no idea of how far the evils of the past were to be attributed to one man, rather than to the government collectively; even the leaders had to mount a commission of inquiry to learn all the facts, nor are all the consequences yet clear.

9. The burden of the speech is the indictment of a monster; yet, at the end, Khrushchev defends Stalin as having acted in the interests of the nation as he saw these! The necessity for this ambivalence is quite inexplicable, unless the document reflects collective drafting.

10. The Russian people have been vouchsafed only one short official editorial in *Pravda*, though it is clear that the speech has been used extensively by Party propagandists in explaining the new line to Party members, and possibly to factory workers, collective farmers, etc. The press reports that the full text was released to Yugoslavia on March 15, and it may be that the Soviet Government has decided to permit a "leak". But the presence in the text of the statement stressing the need to confine this to the Party, and to deny "ammunition to the enemy" seems inconsistent with this.

11. The foregoing remarks are advanced as tentative observations on this text. Your comments would be appreciated.

R.A.D. FORD
for Under-Secretary of State
for External Affairs

SECTION C

ORIENTATIONS DES POLITIQUES ÉTRANGÈRES ET NATIONALES
FOREIGN AND DOMESTIC POLICY TRENDS

539. DEA/12343-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], February 2, 1956

COMPETITIVE CO-EXISTENCE AND WESTERN AID TO THE UNDER-DEVELOPED COUNTRIES

We had hoped to have ready for you, before the visit of Sir Anthony Eden and Mr. Selwyn Lloyd,[82] an agreed paper (a) reviewing the methods and degree of Soviet economic penetration in the uncommitted and under-developed countries between Cairo and

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[82] Pour un rapport sur la visite Eden-Lloyd, voir volume 22, les documents 695 et 696.
For a report on the Eden-Lloyd visit, see Volume 22, Documents 695 and 696.

Djakarta, and (b) considering in a preliminary way some of the possible Western responses to the new competitive co-existence in this area.

Unfortunately we have not yet reached complete agreement within the Department in our appreciation of the dangers of the new Soviet tactics nor on the more fundamental question of whether, in our own thinking, Western aid policies may be viewed as a response to Soviet activities without detracting from the basic purposes for which we assist the under-developed areas.

I should naturally have preferred to have given you an agreed paper, and less reading, but in order to let you have, before the visit of the United Kingdom Ministers, the Department's reflections on these questions, I am enclosing two papers both of which take into account the comments of the other Divisions.

(a) a paper prepared by Economic Division examining the possible effects of Soviet economic activities in the under-developed areas and suggesting various ways in which Western aid to the under-developed countries might be stepped up and made more effective; and

(b) a paper prepared by European Division analyzing current Soviet objectives and activities in the light of recent intelligence and suggesting that it would be in the interests of the Western powers to internationalize the competition as much as possible, starting with the establishment of SUNFED, although this would be only one of the responses which deserve study.[83]

We are all agreed, I should add, that new Western initiatives in this field should not be taken at the expense of existing programmes such as Colombo and U.N. Technical Assistance.

We are also agreed that any element of "response" in future Western actions should so far as possible be publicly played down lest what we do be tainted, in the eyes of the people we are helping, with political motives. This is one reason why we are all in favour of giving more sympathetic consideration to SUNFED this year.

I assume you will not wish to show either of these papers to the United Kingdom Ministers, since the papers have not been discussed with other Departments.[84]

J. L[ÉGER]

[PIÈCE JOINTE 1/ENCLOSURE 1]

Note de la Direction économique

Memorandum by Economic Division

SECRET [Ottawa], February 2, 1956

FUTURE AID TO THE UNDER-DEVELOPED COUNTRIES IN THE LIGHT OF RECENT SOVIET MOVES IN THOSE AREAS

The following notes are intended for possible use by Mr. Pearson in his discussion with Sir Anthony Eden and Mr. Selwyn Lloyd concerning specific steps which the Western countries might contemplate taking in the situation described in the various intelligence papers and commented on in the memorandum prepared by other Divisions in the Department.

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[83] Pour la politique du Canada à l'égard du SUNFED, voir volume 22, chapitre II, 1ère partie, section A (v). For Canadian policy toward SUNFED, see Volume 22, Chapter II, Part 1, Section A(v).

[84] Note marginale :/Marginal note:

These two papers cover a fairly wide field; some recommendations require further thought. They are submitted for your information. [J. Léger]

2. It would seem unwise for us to assume that people in the under-developed countries necessarily regard the recent flurry of Soviet activity as overshadowing the less publicized aid which has been reaching them over the past several years from the West. The ordinary people and official circles in those countries may well recognize that the Soviet offers are a rather belated response to what we have been doing for some time, provided that we ourselves do not appear to be accepting the Soviet thesis that they are the pioneers in this field. Our aid has of course been much more substantial and has reached widely scattered localities. It has probably made a much deeper and more lasting impression than we realize. The fact that we have not indulged in a great deal of fanfare may well be appreciated by the people of these countries and may be contrasted favourably with the behaviour of the Soviets. If our future aid operations were to be too evidently designed to counter these recent Soviet activities we might contribute to the impression which the Soviets are undoubtedly trying to create, that they have started the whole thing and that directly or indirectly they deserve the credit for everything which may follow. Any real or apparent increase in our assistance and any softening in our attitude toward such projects as SUNFED (Special United Nations Fund for Economic Development) might then be represented as something which would not have happened if the Soviets had not provoked us by their example.

3. We might fairly warn our friends that there may be more strings attached to Soviet assistance or trade than may be evident on the surface. While undoubtedly many of the Soviet technicians may be real experts, the recipient countries should be aware that the acceptance of large numbers of Soviet "technicians" might present a real danger from the point of view of internal security. Even in the case of goods received from the Soviet countries there is the risk that the economy of the recipient country may become too dependent on Soviet sources for repair and maintenance parts, especially if the specifications are not similar to those employed in one or another of the Western countries. The very fact that the credit terms offered are apparently generous may incline some recipients to overextend themselves and become hopelessly in debt, with the result that they will be vulnerable to various pressures from the USSR. (Although experience has shown that in relations between international creditors and debtors the advantage is not always on the side of the former, it would appear that where the Soviet Union is involved it would be in a position to exert a good deal of leverage on any country which was heavily in its debt.)

4. While issuing these friendly warnings in a discreet manner, we should probably not deplore, at least publicly, the fact that the Soviets are offering these opportunities for the under-developed countries to receive assistance or to expand their trade. Most of these countries are badly in need of more aid than the West can supply and for more markets for their basic products than are accessible to them in the West. At a time when assistance from the West is considered by them to be insufficient and when it is evident not only that sales opportunities in our markets are limited but some of our surplus commodities, (eg. U.S. cotton and rice), are reducing their chances to sell abroad, these countries could hardly be expected to take in very good part any suggestion from us that they should reject all offers from the Sino-Soviet bloc. Our relations with the under-developed countries would hardly be improved if we were to adopt such an attitude and express it publicly.

5. Moreover, it is not clear that acceptance of such Soviet offers will necessarily work against our long-term interests. To the extent that aid from, or trade with, the Soviet bloc will increase the resources available to the present governments of some of the under-

developed countries, they may be better able to carry their development programmes forward with less direction of their economies or regimentation of their people than would have been the case if these added resources had not been received. The Indian economy, for example, is probably less likely to develop along Soviet lines if more resources are at the disposal of the Indian Government, whether those resources come from the Soviet side or from the West. The more rapid improvement in living standards which such increased resources would make possible might also be expected to serve our purposes rather than those of the Soviet bloc. The expansion in exports to the Soviet bloc (especially in cases where the West is not able as a practical matter to offer sufficient markets) may also not be unwelcome from our point of view provided that the trade is of such a character that it can be terminated at will if that is desirable for political reasons or if alternative markets develop in the West. There would seem to be no substantial reason why in such cases the under-developed countries concerned should not enjoy the full benefits of this trade with the Sino-Soviet countries in the meantime. These longer term material advantages from our viewpoint in a careful development of trade with the Soviet bloc may turn out to be much more important than the temporary propaganda gains which the Soviets may hope to achieve by these activities. They do not of course provide any excuse for us doing less than the maximum of which we are capable in terms of either aid or trade. It would undoubtedly be best if the bulk of the resources required by the under-developed countries from outside were to come from the West. It is probably better, however, that some of these resources should come from the Soviet bloc than not come at all.

6. In any consideration of what the West should be doing in view of these recent Soviet activities, it would seem most important not to lose sight of the fact that our main interest continues to lie in the provision to the under-developed countries of the largest volume of resources which we are able to make available and which they are capable of absorbing effectively, with a view to strengthening their economies and improving living conditions. This has been repeatedly declared by ourselves and others in the past to be our objective and it would still seem to represent the soundest and most promising approach. It would seem most imprudent for us to depart from this objective in response to these Soviet manoeuvres. Their purposes rather than ours would probably be best served by any tendency on our part to distort our aid programmes in order to counter their twists and turns on political or military grounds. These moves should not determine our judgments of what we should do and whom we should help. Over the long run (and not too long a run at that) the programmes of the West are surely likely to have the greatest and most lasting effects if they are based primarily on economic needs and potentialities and if they are not, and do not appear to be, unduly affected by political and military calculations. Even in the very short run it would seem evident that our aid activities would be less effective if they were regarded mainly as responses to Soviet ventures. There is probably nothing the Soviets would like better than to have us admit by implication that our aid was motivated mainly by political and military considerations. This is what they and the local Communist parties have been alleging. We would be giving credence to these allegations and would thus make it more difficult for the under-developed countries to accept our assistance in preference to Soviet aid.

7. When the Soviets are receiving a large amount of publicity in the under-developed countries for their reputed generosity it might be tempting for us to press for more public notice of the helpful things which we are doing and have been doing for some time. Within limits it would no doubt be desirable for the Western countries to receive rather more credit than they have in the past for the contribution which they have been making both through the provision of aid and through the wide range of commercial and trading relations which

they have with the countries of Asia, the Middle East, Africa and Latin America. We should probably not, however, go so far in seeking publicity for our efforts that we appear to detract from the achievements of the governments of those countries themselves.

8. Against the background of these rather general observations the following comments might be made on the detailed points which might be raised:

A. Actions to Offset the Temporary Propaganda Effects of Soviet Gestures

9. As suggested above, it might be agreed that somewhat more publicity than has so far been given might now be encouraged without, however, approaching the point where we were getting so much credit as to reflect on the position and prestige of the local government. It would seem desirable generally to place emphasis on the joint and co-operative character of our economic relations with the under-developed countries. In this connection it may be that increased use could be made of the Information Unit in Colombo for spreading public information on these matters more widely in South and Southeast Asia.

10. As increased effort might be made to field more and better technicians whose presence in the under-developed countries could bring greater attention and credit for the West. The various United Nations and Colombo Plan programmes might be used for this purpose. While the assignment of such experts should obviously be based mainly on technical needs of the countries and on our own ability to supply really competent people, some emphasis might unobtrusively be given to those fields and countries where the Soviet appeared to be particularly active. (We feel that our nomination of Dr. Keyfitz for the Directorship of the Bureau of Technical Co-operation in Colombo gives some evidence of our desire to see Technical Assistance matters in that area approached more imaginatively. We would hope that the United Kingdom would find it possible to support suggestions that Keyfitz might feel able to make for improving the effectiveness of our Technical Assistance programmes under the Colombo Plan.)

11. Visiting teams of distinguished Western technicians and scientists might be organized to impress the people in those professions in the under-developed countries with the quality of the work which we are doing. (In this connection, following and improving on an example set by the United Kingdom earlier, we are making plans for a medical mission to India and possibly Pakistan and Ceylon which might be headed by someone such as Dr. Penfield or Dr. Frappier. Similar teams might be organized in other fields possibly involving joint participation by several Western countries.)

12. Possibly we and the other countries of the West should reconsider our rather passive attitude towards trade fairs in the under-developed countries. The Soviets have not hesitated to provide lavish exhibits even where there was little intention of following up these displays with an expansion of trade. Canada and other Western countries might consider it appropriate in these circumstances to participate much more actively in these fairs and to publicize both what we are able to offer for sale and also (and probably equally important from the point of view of countering the Soviets) what we have been customarily buying from such countries.

B. Longer Term Actions

13. It might be desirable to impress on United Kingdom Ministers the importance which we attach to the Colombo Plan as a vehicle for providing assistance to countries of South and Southeast Asia. The United Kingdom has of course always expressed warm support for the Plan, has played a constructive role in the Consultative Committee meetings and has provided a good deal of technical assistance. It might be doubted, however, whether the United Kingdom's heart is really in the Plan, especially since the United States became

an active participant. The very fact that the United States is somewhat inept occasionally in handling its aid programmes and the fact that United States aid tends to be rather suspect, would seem to us to increase the value of the Colombo Plan as an instrument for providing the maximum amount of assistance to this critical area in the most acceptable and effective manner.

14. It might not be too early to give some preliminary consideration now to the possibility of other Western countries joining in some major projects which would greatly assist the economic development of the countries affected,[85] substantially influence political relations in the area where they would be located and at the same time dramatically overshadow the projects in which the Soviet bloc are involved. (In a modest way we might regard our Indian reactor project as in this category.)

15. The High Aswan Dam in Egypt is already under consideration and the importance of early joint action on this project (along with the International Bank) is probably fully appreciated although there is evidence that the requirements of the Western countries concerned may be rather severe. It is still possible that this venture will be taken on by the Soviet bloc instead.

16. An equally or even more constructive joint project to which the Western countries probably should be giving increased attention is the financial, engineering and construction requirements of any settlement of the Canal waters dispute between India and Pakistan. An indication by the Western countries at this stage of a willingness to share in this project might hasten a settlement. The effects on the position of the West in the sub-continent could be very substantial and out of proportion to anything which the Soviets are likely to accomplish. The carrying out of this project, unlike the activities of Messrs. Khrushchev and Bulganin, could at the same time greatly improve relations between India and Pakistan and contribute to the stability of that region.

17. In the same category it might be desirable to ascertain what the United Kingdom attitude is towards the Johnston project for the Jordan Valley and what they understand the intentions of the United States to be towards this project.[86]

18. The possibility of using the United Nations Technical Assistance programmes more extensively for securing experts and training opportunities for United Kingdom dependent territories (particularly those which are on the verge of independence) might be discussed. It might be indicated that we for our part would be anxious to do our best to meet requests which we might receive in respect of such territories through these programmes. If the United Kingdom authorities were troubled by the prospect that Soviet experts might work their way in through the United Nations programmes it might be possible for some understanding to be reached in advance about our intention to meet particular requests which we were in a position to fill.

19. We would also, of course, as suggested above, have in mind the desirability of countering Soviet activities in determining in which cases we would supply experts or training facilities to various under-developed countries or territories under these programmes.

20. Perhaps the major question in this field which might be explored with the United Kingdom Ministers has to do with the attitude of the industrialized Western countries towards an international economic development fund under the United Nations (e.g.

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[85] Note marginale :/Marginal note:
No [L.B. Pearson]

[86] Pour connaître le point de vue du Canada sur le projet Johnston, voir volume 22, document 8.
For Canadian views on the Johnston project, see Volume 22, Document 8.

SUNFED). In the past the United States, United Kingdom and ourselves, as well as several other Western countries, have been pretty negative in our views, and expression of views, on such proposals (even though, unlike the Soviets, we were taking a constructive part in such related international arrangements as the International Bank and the International Finance Corporation). It might be questioned whether this is still an appropriate attitude. While it is not possible at this stage to be very definite about the position of the Canadian Government as this subject has not recently been discussed among Ministers and is only now being reviewed by officials, it would seem desirable to suggest that perhaps our traditional views should be re-examined. It would seem fairly evident that SUNFED is either going to come into being very soon or there is going to be a sharp and serious division among the members of the United Nations. The delaying process has probably gone about as far as it can go and the bringing in of the 16 new members has probably increased the likelihood that this issue will come to a head this year.

21. In deciding our attitude towards SUNFED and determining how we should conduct ourselves in any international discussion of this proposal, it would seem desirable for us to have very much in mind such considerations as the following in connection with the activities of the Soviet bloc in this field:

(a) We should be careful to avoid giving any impression that we regard the value of this project to the underdeveloped countries themselves as a less important factor than the opportunities which it may provide for outmanoeuvreing the Soviet bloc.

(b) As the same time we should endeavour to avoid a situation in which the Soviets are able to appear passive or even sympathetic towards this proposal while we seem to be standing out against it when it is clearly supported by the bulk of the members of the United Nations.

(c) If we decide that SUNFED is going to come into being and that we are going to participate, we should join actively in the preparatory discussion in order to exercise our influence and ingenuity to shape the organization in such a way that the resources at its disposal will be used most efficiently and in the places where they will have the most value.

22. In the light of such considerations as these we should regard, and represent, SUNFED as intended mainly to mobilize funds from as many sources as possible for use in as many areas of the world as may seem desirable. Such an organization would have the advantages over other existing grant-aid arrangements (e.g. Belgium, France, the Netherlands, Scandinavia, etc.) in that it would cover more under-developed countries of the world (e.g. Africa, the Middle East and Latin America as well as South and Southeast Asia). Our decision to support it, if that turned out to be the case, should presumably be based on those advantages and on the fact that the creation of such a fund is favoured by a large majority of the membership of the United Nations. In supporting it we would of course also have in mind its usefulness in connection with current Soviet activities in the under-developed countries. If we are able to take a positive attitude towards it, and to declare our intention to do so at a fairly early date, we shall incidentally improve our position in relation to the Soviets in the eyes of the under-developed countries. The Soviets' bluff would then be called. They would either have to declare their inability to participate, in which case their rather hypocritical attitude towards those countries would be exposed. Alternatively, they might decide to come in, in which case at least some part of their activities in the under-developed countries would be brought under a degree of international discipline.

23. It is of course possible that by participating in such a fund the Soviets might get more credit than they deserve, as probably happened in the case of UNRRA. Some countries

might tend to regard SUNFED as something which the Soviets were responsible for. The likelihood of such an outcome could be minimized if we (with the co-operation of the under-developed countries themselves) succeeded in getting the contribution required from the Soviets set at a fairly high figure. The Soviets would also be deprived of excessive credit for the creation of SUNFED if we were to adopt a sympathetic attitude very soon and thus avoid the impression that we were going along with the project only reluctantly and only because of the political necessity of matching or countering the Soviets. On the general reasoning set forth earlier in this memorandum it would in any event seem logical to consider SUNFED as more likely to serve our longer range purposes than those of the Soviet bloc since it would have the effect of increasing the resources available to the under-developed countries, thus enabling them to accelerate their economic development and improve their living standards more rapidly. From an immediate propaganda point of view, however, the balance of advantages in SUNFED as between the West and the Soviets will depend very much on how we handle ourselves in the international discussions on this subject over the next few months.

24. There are other actions which might be taken in the present situation but which it probably would not be particularly profitable to discuss with the United Kingdom at this stage.

25. For instance, it may well be that we should contemplate some bilateral semi-commercial loans or credits to certain of the under-developed countries (particularly India) to finance individual projects which are included in the development programmes of those countries and which are attractive from our own point of view (e.g. a fertilizer or cement plant).

26. The possible relevance of commodity agreements and stockpiling arrangements to the marketing problems of some of the under-developed countries which have to rely on sales of a few primary commodities, may also have to be examined in the period ahead. As a matter of record Canada has generally co-operated in such arrangements in the past although we have had our doubt about the efficacy of some of them (and are now wondering whether even the International Wheat Agreement is as satisfactory a device as it appeared to be previously). This is not, however, a subject which it would be worthwhile exploring with the United Kingdom Ministers on this visit.

27. The effects which the general commercial policies of the major trading countries can have on the economies of the under-developed countries and on their dependence on markets in the Sino-Soviet bloc is also a matter of considerable interest. Here again, however, it might be questioned whether there is a basis for any useful talk with the United Kingdom Ministers at this time.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Note de la Direction européenne

Memorandum by European Division

SECRET [Ottawa], January 31, 1956

"COMPETITIVE CO-EXISTENCE"

THE NEW SOVIET CHALLENGE IN THE UNDER-DEVELOPED AREAS

In their year-end messages, the Soviet leaders clearly restated both the theoretical foundations and the practical applications of their current emphasis on competitive co-existence. Messrs. Bulganin and Khrushchev maintained that the success of their Asian tours showed the correctness of the Leninist principle of "peaceful co-existence of nations with different political and social systems." Lenin had predicted that the time would come when the tens of millions of people of Asia would play a part in deciding "the destinies of the whole of humanity." "This time has now come," Bulganin resoundingly declared.

2. Last October the Soviet periodical *Communist* published an authoritative exposition of current Soviet policy towards the West which was defined as "prolonged co-existence and economic competition between the two systems.... The future development of society is determined in the last analysis not by means of war but through peaceful economic competition. Only in such competition can a historic superiority of one or other social system be proved in practice."

3. Nothing could more clearly reveal the fundamentally political motivations of competitive co-existence, Soviet style. As always, trade and foreign economic policy is to serve political objectives. In the under-developed areas of South-east Asia, the Middle East, and now Latin America, a serious attempt to step up trade with the Soviet bloc is being made in order to achieve the following principal objectives:

(a) the penetration of these countries through trade missions and technicians imported in order to train local people in the setting up and operation of heavy industrial equipment;

(b) the demonstration that by means of the Soviet economic system under-developed countries can achieve the most rapid rate of industrialization without having to depend on the financial and technical resources or methods of the former colonial powers; and

(c) ultimately to detach some of the neutralist or uncommitted countries of South-east Asia, the Middle East and Latin America from their economic and political association with the West and if possible to bring them into the Soviet sphere, though the Soviet Union would no doubt be satisfied if they could counter Western diplomatic action in these areas which have traditionally been beyond the sphere of Russian influence.

4. In the West, there has been a tendency, reflected even in President Eisenhower's State of the Union Message,[87] to interpret the new Soviet initiatives which have been greatly accelerated since the Geneva Conference last summer, as if they were the forerunners of large scale Soviet foreign aid programmes in the under-developed areas. But Soviet leaders have been at pains to make it clear that they do *not* contemplate a foreign economic aid programme *in the Western sense*. As Mr. Khrushchev said emphatically in his statement to the Supreme Soviet on December 29:

> "The colonizers give a dollar in the form of 'aid' so as to obtain ten dollars later in return through exploitation.... They then enslave the peoples politically ... not only in the under-developed countries ... but more and more in Europe.... In essence this is not aid but handouts from the master's table made conditional on enslaving obligations.
>
> The Soviet Union condemns such a policy. It builds its mutual relations with all countries on the basis of equality of rights and mutual advantage and non-interference in internal affairs".

5. Protesting over much, Mr. Khrushchev insists that the U.S.S.R., having no surplus capital because its economy is planned, has no economic interest in exporting capital to foreign countries; nor does it have to export goods, for economic reasons. Indeed, unlike the capitalist countries, the Soviet Union (their leaders repeat) is not embarking on a capital development programme.

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[87] Voir/See United States, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1956*, Washington, D.C.: United States Government Printing Office, 1958, pp. 1-28.

6. At the same time Messrs. Khrushchev and Bulganin are paradoxically maintaining that the Western countries are guilty of withholding from the under-developed areas the means to industrialize themselves, since it is in the interests of "the colonizers" to draw upon the primary products of the under-developed areas, whereas the U.S.S.R. seeks to assist their industrialization. The Soviet alternative to capital assistance is to offer capital goods, either as gifts or on highly competitive terms. Apart from wishing to avoid being labelled as "capitalists" themselves, the Soviet Government no doubt prefer to offer a factory or a steel mill (with all its accompanying technicians) rather than playing the role of financier. It has a double advantage: repayment in goods and in political gains.

7. Our information on the Soviet bloc's economic penetration of the under-developed countries is as yet incomplete and only partially digested. But apart from a few relatively small gifts and vague offers of aid, the pattern emerging from specific agreements so far concluded by countries of the Soviet bloc cannot in any sense be described as a "give away" programme. It is Soviet-style trade, not Western aid. Whether it was arms for Egypt or a steel mill for India, something of economic value to the Soviet bloc was generally asked in return. Although the terms for such exchanges have not always been economically advantageous to Soviet bloc countries, the commercial losses were more than counterbalanced by the political gains. Even so, there has been no evidence of what might be called Soviet dumping, although Hungarian locomotives, for example, are probably being sold to Egypt at below cost (certainly below competitive West German costs). Even in purely economic terms the Czechs may have been justified in selling at cut-rate prices arms which for them were becoming obsolete in exchange for Egyptian cotton which they are going to need over a long period.

8. Similar considerations may apply to the sale of capital equipment for heavy industry. With the growth of automation in the U.S.S.R., they will be able to unload in underdeveloped countries a good deal of plant machinery they no longer regard as economic.

9. As compared with the West and particularly with the United States, the Soviet Union is, of course, in the happy position that they can make use of many of the raw materials which the under-developed countries are anxious to sell — rice, cotton, sugar, beef. The United States, on the other hand, has its own surpluses; and Western countries generally shy away from the bulk purchases and State trading agreements characteristic of the Soviet bloc deals. In these circumstances, the Soviet bloc is entering into the arena of competitive co-existence at a favourable time. Its purchases of Burmese rice, Cuban sugar, Argentine livestock, and Egyptian cotton make sense in economic terms alone, although the motivation is undoubtedly political. Moreover, it offers credits at much lower interest (usually 2 1/2%) and on longer repayment terms than Western governments or international agencies.

10. From the point of view of the under-developed countries, expanded trade with the Soviet bloc is in many ways preferable to continuing or increased dependence upon Western capital or United States foreign aid programmes. Any self-respecting country would prefer to trade, even when it suspects that the terms of trade may have been somewhat rigged. It may realize only later that the objects of Soviet trade — as in the case of military aircraft or industrial plant equipment — are as full of agents as the Trojan horse. Knowingly or unknowingly risking some political and economic penetration through such trade, the under-developed areas nevertheless avoid the innumerable administrative and political headaches involved in meeting the requirements of United States aid. There is no accounting to inquisitive visiting missions nor is it necessary to be humbly grateful to touring Congressmen. Though a deal with the Soviet bloc would in fact be much more dangerous for the political independence of the country concerned, as compared with a

foreign aid agreement with the United States, it is superficially an agreement between trading equals rather than a charity hand-out.

11. United States foreign aid programmes are at present operating under a further serious disadvantage in that they are liable to contain — certainly if Senator Knowland has his way — unacceptable strings attaching aid to military commitments. The timing of the new Soviet initiative may have been dictated first of all by the necessity to postpone such a programme until the internal economic and military needs of the bloc had been more or less met. But it was obvious from the tour of the Soviet leaders in India, for example, that they were able to capitalize in 1955 on the political opposition to the system of regional military alliances built up by the United States and the United Kingdom in South-east Asia and the Middle East during the two previous years. This combination of circumstances makes military strings attached to foreign aid programmes doubly unattractive. Interest in the new Soviet alternative is correspondingly increased.

12. The most important advantage enjoyed by the U.S.S.R. in their new form of competition with the West among the under-developed countries is that the Soviet government can control and direct their economic efforts to a degree quite impossible for Western governments. They can afford to ignore domestic consumer demands to a degree that we cannot; and they can solve what is fast becoming a major problem in the technical assistance programmes of the Western countries — the shortage of technicians willing to go to unhealthy parts of the world at lower salaries than they can command in the domestic market — by simply directing their experts to go where they wish them to go. Indeed, technical assistance — including offers to train large numbers of engineers and technicians in the U.S.S.R. — may be one of their strongest suits, as well as one of the least costly. For trade will surely follow in the wake of their trainees.

13. Partly because of the Soviet capacity to direct goods and personnel, and partly because of the very rapid progress bloc countries have made in industrialization, United States and United Kingdom intelligence appreciations consider that it would be a mistake to underestimate the capacity of the Soviet bloc to make good their present contracts and offers of trade and economic aid to the under-developed countries. Soviet bloc assistance could be doubled and perhaps trebled during the current five year plan period. India can be provided with a modern million-ton capacity steel mill, and the Aswan High Dam can be built, without significantly affecting the planned defence effort, internal economic expansion and external trade of the Soviet bloc. They have the capability; and it will increase substantially by 1960, though in absolute terms it will still be well below that of the United States.

14. Soviet capabilities are, of course, greatest in the under-developed and politically uncommitted countries adjoining the Sino-Soviet land mass. Discounting for the next few years the possibility of any economically significant volume of economic aid from Communist China to these countries, we may expect that Soviet bloc efforts will be directed chiefly to the Middle East and to South and South-east Asia. (Penetration in Latin America and Africa has not been analyzed in detail in this paper for lack of information, but it is at a much earlier stage.) At present, in terms of the dollar value of Soviet bloc deals, economic penetration has gone furthest in Egypt, India, Syria, Indonesia, Afghanistan, Burma and the Sudan — in that order. But in political terms, there has been much more serious penetration in Afghanistan, and, to a lesser extent, in Egypt, than in the other countries.

15. Soviet offers and deals have been handled with such astuteness that they have received publicity in the under-developed countries out of all proportion to their importance in economic terms. By good timing and careful selection of politically important

projects, Soviet propaganda has tried to derive as much political advantage as has accrued to the West from far more massive undertakings.

16. By adapting Western foreign aid and technical assistance methods to their own purposes, the Soviet bloc is in a position to give the West stiff economic political competition in the under-developed areas. Yet we — and we hope the under-developed countries — must retain a sense of scale. We must remember that a much higher proportion of Western aid is given free. It is much larger and economically more significant. In spite of strings and conditions attached to much of the bilateral aid from Western countries, the scale, quality and reliability of Western help to the under-developed countries very greatly exceeds that offered by the Soviet bloc. And though we now give them the capability, the Soviet Union has in the past not always been able to fulfil satisfactorily even the limited agreements it has undertaken — to wit the Soviet-Argentine agreement of 1952, and its agreements with Yugoslavia before the break in 1948. Even without such doubts as to Soviet performance, most of the uncommitted and under-developed countries would much prefer other things being equal, to deal with the West; for their leaders are not unmindful of the necessity for those who sup with the Soviets to use a long spoon.

17. During the present calendar year, the United Kingdom Joint Intelligence Committee recently estimated, Soviet bloc countries may provide about $140 million worth of capital equipment (non-military) to South-east Asia and the Middle East. Their major deal last year was the Czech-Egyptian arms agreement valued at another $140 million. A $10 million arms deal with Syria is in the offing.

18. We do not have precise comparative figures, but United Kingdom effort in the same area is at present running at about the same level (about $212 million annual outlay). United States aid, however, is measured in many hundreds of millions of dollars and in most cases requires no economic return. Some Western technicians may have been irritating and officious in their attempts to introduce Western methods too quickly in some of the under-developed countries; but there can be little doubt in the minds of those governments which have had practical experience of Western assistance that their experts are genuinely trying to improve the basic economic position of the assisted country. Parallel Soviet activities have often been clumsy, and blatantly political — for example the paving of the streets of Kabul — with little regard for purely national economic priorities.

19. From the information at present available to us, it seems fair to assume that over the next five years the USSR will be able to increase its capabilities in the foreign aid field to the point at which (if Soviet aid to China is included) they may be able to approach the Western effort even in terms of scale, though probably not in terms of quality and reliability as well. The chief reason for this expectation is, as noted above, their capacity to direct their economic enterprises for state purposes regardless of the individual. The new five year plan gives further proof of their intention to concentrate on the development of their economy largely at the expense of the individual. It would therefore be most imprudent for us to under-estimate, as there has been some tendency to do in the press, Soviet capabilities in "competitive co-existence". Their leaders have chosen the form and timing of their new challenge deliberately and with the facts before them.

20. During the period in which Western programmes had a virtual monopoly in the foreign aid field, their inherent limitations and even their mistakes did not greatly matter. The under-developed countries which were being assisted were grateful to the only group of countries who felt able and inclined to help. But now that the Soviet Union is entering this field — though on its own terms — the situation is bound to change radically. Comparisons will be made both in political and economic terms. The principal Western countries

already involved in either national or international foreign aid programmes should, if the foregoing analysis is approximately correct, be considering how they are going to meet the new challenge. For much hangs on the success of the response.

21. It was perhaps no coincidence that before going to the Middle East Secretary-General Hammarskjöld threw out the suggestion at his press conference in New York on January 13, that in place of rival bilateral economic aid programmes, members of the United Nations should agree to channel their efforts through the United Nations.[88] He maintained — and with some reason — that the United Nations was better equipped than any single nation to assist in this field and that a United Nations programme could best avoid competition developing "in an atmosphere of strife." He also implied that economic aid given through the United Nations was more objective and less suspect because there was no national axe to grind — nor, he might have added, any military or political strings attached.[89]

22. It would need very careful consideration and consultation, first between Departments and later between Governments, but there may be a good deal to be said for a United Nations approach as a partial answer to competitive co-existence, especially if the initiative could come from the United States. If competitive co-existence is permitted to develop very largely on a national basis, the Soviet Union may be able to exploit more skilfully the political advantages of direct national programmes, for the reasons which we have already analyzed. Soviet penetration in Afghanistan and in Egypt, where the West has spent and given substantially more than the USSR, gives us no grounds for resting on the good work already accomplished by the West in the under-developed areas. An international programme developed through the United Nations would provide for a more or less effective set of "ground rules" for the new type of competition — and since the Western countries, by and large, respect these ground rules anyway, they would serve principally to curb Soviet penetration by means of their national trade, aid and technical assistance programmes.

23. To secure the optimum result, the West should try to secure Soviet agreement to internationalize a significant part of their efforts outside their own bloc (in which we of course include China), leaving them a correspondingly reduced capability to devote to national programmes outside the United Nations.

24. This approach would seem to require, as a prerequisite, Western agreement on a proposal to be made in the United Nations offering to devote a substantial sum to the capital development as well as the technical assistance of under-developed countries. Such an offer might, or might not, be made on condition that the Western contribution be matched by the contribution of the Soviet bloc members, in proportion to their ability to pay — judged perhaps, on a GNP basis. It would be premature to suggest a more precise formula at this stage.

25. From the point of view of demonstrating the purity of Western motives, an unconditional Western offer to support a United Nations programme would be more effective in

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[88] Extrait du texte de la conférence de presse de Hammarskjöld du 13 janvier 1956, voir Andrew W. Cordier and Wilder Foote, eds., *Public Papers of the Secretaries-General of the United Nations, Volume II: Dag Hammarskjöld, 1953-1956*, New York: Columbia University Press, 1972, pp. 638 à 647.

For an excerpt from the text of Hammarskjöld's press conference of January 13, 1956, see Andrew W. Cordier and Wilder Foote, eds., *Public Papers of the Secretaries-General of the United Nations, Volume II: Dag Hammarskjöld, 1953-1956*, New York: Columbia University Press, 1972, pp. 638-647.

[89] Note marginale :/Marginal note:

I agree with this. L.B. P[earson]

the under-developed countries. Objectively, it is something that should be done, even if the Soviet challenge had never arisen. If the West present their action as an overt response to the U.S.S.R., the Soviet leaders are ready to claim the credit — indeed, Mr. Khrushchev has already done so, in anticipation, in his statement to the Supreme Soviet on December 29. The fact remains, however, that without United States support a United Nations approach would be of little value. Congressional approval, even after the elections, is unlikely unless there is an anti-communist element in the presentation. The principle of requiring a Soviet contribution proportional to that of the United States would have a greater appeal in the United States than an unconditional proposal. Moreover, the Americans will be quick to see the risk of making an unconditional offer which, if the U.S.S.R. does not participate, would commit the United States and other Western countries to a sizeable and continuing financial outlay under U.N. administration. By tying a proportion of Western resources to a U.N. programme, without insisting in advance that the Soviet bloc does likewise, some flexibility in programming would be lost. This loss would have to be weighed against the greater impact on the under-developed countries of an unconditional offer by the West to establish SUNFED. Though our estimate of Soviet capabilities is still based on incomplete information, it is clear that the West should not expect an automatic Soviet refusal, whether or not our offer was conditional. The Western countries should be prepared to be taken up on our offer and to follow it through.

26. One possible means for doing so already exists. The under-developed group of countries in the United Nations — the Latin Americans and the Afro-Asians — have already drawn up the blueprints for such a scheme in SUNFED.

27. With the addition of sixteen new members, most of them under-developed countries, it seems unlikely that the more prosperous members of the United Nations will be able to continue to fend off the demands of the under-developed countries indefinitely. At the next session of the General Assembly, SUNFED may either come into being or a sharp and serious division may be created among members of the United Nations. This issue will have to be faced before long by the Canadian delegations to ECOSOC and to the General Assembly. If in our judgment SUNFED is likely to be established with Western (and possibly with Soviet) participation, Canada should join actively in the preparatory discussions in order to influence and shape the organization in such a way that the resources at its disposal will be used most effectively and in the places where they will have the most value. This objective approach, rather than any attempt to out-manoeuvre the USSR, will have the greatest impact on the under-developed countries themselves.

28. Moreover, the establishment of SUNFED would bring in Western contributors who are not at present participating in foreign aid operations (e.g. Belgium, France, the Netherlands, Scandinavia, etc.) and it would cover not only South and South-east Asia but the Middle East, Latin America and Africa.

29. A further reason for considering this suggestion of the Secretary-General's carefully is that if the West does not decide to take the initiative soon, it would be quite in line with current Soviet policy for the Soviet Union to announce, say, at the next General Assembly that they had effected a further reduction in their armed forces and were prepared to devote the savings to an initial SUNFED programme. Such a Soviet initiative will become increasingly likely as the sixth Five Year plan's objectives are realized and the Soviet economy develops more "fat" which could be devoted to fairly large scale foreign aid programmes and not merely to politically managed trade.

30. By choosing our own terms and timing for challenging the Soviet Union to "put up or shut up", the Western Powers would stand to secure for themselves the following principal advantages:

(a) a major diplomatic initiative which would once more leave the Soviet Union on the defensive; if the proposal were rejected by the USSR, their pretensions would have been unmasked with maximum publicity and propaganda effect;

(b) if the Western proposal were accepted, we would have an opportunity of exposing the USSR to the test of serious competitive co-existence in the practical field on terms we could largely control;

(c) we could count on a United Nations programme being politically much more acceptable to uncommitted under-developed countries than national programmes of either stripe;

(d) a United Nations attack, on a sufficient scale, on the massive problems of poverty in the under-developed areas would be of more help in effectively raising living standards than all the present Western programmes put together; by the same token such a programme would help to reduce the inroads of Communism among the under-developed peoples;

(e) political and economic penetration of the under-developed areas would be more difficult for the USSR to achieve by means of their contributions to a United Nations programme than it would if they were to devote the same effort to a bilateral programme; and

(f) the capacity of the under-developed countries to "shop around" and bargain between East and West (as Egypt has been doing rather successfully over the Aswan High Dam) would be reduced.

31. Whether the Russians refused or accepted, the West would stand to gain. If the Russians are prepared on a bilateral basis to assist the under-developed countries on a large scale with technicians and capital equipment (but not capital), it is in the interest of the West to try to draw them away from competitive give-aways or credits which open the door to subversion and political blackmail. If the Russians nevertheless prefer to go ahead on their own, it might still be preferable to handle an important proportion of Western aid through the United Nations and other international channels such as the Colombo Plan, rather than through purely national agreements. But if the Russians "go it alone", the balance of advantage might shift from SUNFED to an expanded Colombo programme. (In any case, Colombo and UN Technical Assistance programmes should not be reduced).

32. It may be argued that the Western propaganda to be derived from a large-scale bilateral programme might be dissipated if it were partly diverted to a Fund administered by the United Nations in which the under-developed countries now have increased representation. This would certainly be a difficulty for the colonial powers, including the United Kingdom and France. In any event, it would be strongly resisted in the United States by many members of the present Administration. There are, however, indications that Mr. Stevenson may be well-disposed towards a SUNFED programme. If he made it an election issue, there appears to be some chance that President Eisenhower might counter with a more sympathetic response to SUNFED than his Government has previously given. (The United States' contribution would be of the order of $100 million on the basis of a programme of $250 million a year requested by the under-developed countries.)

33. A further complication — although by no means an insuperable one — is that for obvious reasons China, in present circumstances, could not be included in a United Nations programme. It would in any case be contrary to the aim of Soviet propaganda to put China in the same category as South-east Asia. Whatever happened, China would remain a recipient of Soviet aid and its demands for technical assistance and capital

requirements would presumably continue to be one of the principal foreign calls on the Soviet economy, and the USSR would be under pressure to increase its assistance to China as it expanded its aid to non-Communist countries.

34. The development of a United Nations approach in which the Western countries would be challenging the Russians to join them in an international attack on the economic problems of the under-developed areas is one way in which the Western countries might respond to "competitive co-existence". As already mentioned, a good case could be made, even without the spur of Soviet competition, for international co-operative activity on a greater scale than anything so far realized through the United Nations, the Colombo Plan, or other arrangements. Indeed, as Mr. Denis Healey has pointed out in an article in the January issue of *International Affairs*:

> "Such 'peaceful competition' may be an invaluable asset to those in the West who believe that large scale economic aid to non-Communist Asia is desirable for moral, political, and economic reasons. Just as postwar Soviet military pressure provided the West with an indispensable incentive for building NATO, so nothing but active Communist intervention in Asia will force the rich Western states to do their duty by the under-developed areas."

35. Interest has also been expressed in a NATO approach. At the last Ministerial meeting of the NATO Council in December several Ministers felt that NATO should take fresh initiatives in the non-military field in response to the new Soviet tactics.[90] The Italian Foreign Minister thought that NATO members should co-ordinate their technical, financial and manpower resources for intensifying their assistance to under-developed countries in the vulnerable areas of the world, while the Greek Foreign Minister proposed that NATO countries should embark on bulk purchasing of surplus raw materials to forestall Soviet deals in the under-developed countries. Although the Netherlands Foreign Minister thought that the Western response should be to support SUNFED, the French Foreign Minister felt that NATO should first study the possibility of proposing to the United Nations a world plan for under-developed countries. In accordance with the Council's Resolution on Article 2, the NATO Secretariat may shortly be preparing an analysis of Soviet economic penetration efforts, as a background paper for the further study of this question in the NATO Council.

36. SUNFED, Colombo, and even NATO, do not, of course, exhaust Western possibilities. More effective and imaginative use could be made of national programmes — Canada's NRX reactor for India is an example — and greater efforts could be made through existing international programmes — to start the Aswan High Dam, to undertake the Canal Waters project affecting Kashmir, India and Pakistan, or to press the Jordan River development plan. These and other suggestions are considered in greater detail in a supplementary paper,† attached.

37. Without alarm or undue haste, all these possible responses to the needs of the under-developed areas and to Soviet "competitive co-existence" will require further study; but the Western countries should not defer action too long. Soviet competition is at present being manipulated artificially so as to have a greater impact than its quality or quantity justifies. But their capacity is increasing and it may not be long before the Western countries find that they cannot easily call what is still partly Soviet bluff.

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[90] Pour le rapport de cette réunion, voir volume 21, les documents 235 à 240.
For a report on this meeting, see Volume 21, Documents 235-240.

38. Finally a word might be said about what the Western countries should *not* do:

(a) We should not depart from our general objective of securing for the under-developed areas all the economic aid which they can absorb and which the Western countries can afford to supply; this aid should continue to be administered with regard primarily to the economic needs of the area.

(b) Although it may be appropriate in certain cases to convey discreet warnings to some of the under-developed countries of the dangers we see in certain types of Soviet economic penetration, we should not advise them to reject all Soviet trade and aid offers; not only would such advice backfire, but, provided it is carefully handled, there are categories of Soviet trade (e.g. short-term exchanges of raw material surpluses for Soviet finished products) which may strengthen the economies of the under-developed countries without running undue risks.

(c) Above all, we should make no attempt to intimidate the under-developed countries, threatening to cut off Western aid or trade if they deal with the Soviet Bloc — as the Egyptian Ambassador in Bonn has recently charged the Federal Republic of Germany with doing, whether rightly or wrongly.

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540. DEA/50140-40

Note du sous-secrétaire d'État suppléant aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Deputy Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL

Ottawa, May 22, 1956

RELATIONS BETWEEN THE SOVIET UNION AND YUGOSLAVIA

I enclose a memorandum on this subject prepared in the Department. It attempts to survey the changing nature of the relations between these two countries since the Soviet leaders made their pilgrimage to Belgrade a year ago and set in train a series of events calculated to detach Yugoslavia from its position of neutrality and bring it back once more into the Soviet bloc.

2. Our conclusions are briefly that the Yugoslavs have proceeded with considerable skill and circumspection but that there are obvious dangers ahead. The situation in Eastern Europe is, however, beginning to become less static, and the role of Yugoslavia in attempting to encourage more independence of the U.S.S.R. by the satellites is clearly of paramount importance. It is therefore in the interest of the West to follow developments in Yugoslavia very closely, and to give all aid and encouragement possible to the Yugoslavs, first to prevent them from slipping more towards the U.S.S.R., and second in order eventually to adopt a more forward policy vis-à-vis the satellites by pressing home the advantages of Yugoslav-type socialism. On this latter question I hope later to be able to submit an analysis of the latest developments in Eastern Europe and a few suggestions of possible ways of exploiting the situation.[91]

R.M. M[ACDONNELL]

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[91] Note marginale :/Marginal note:
This is a good memorandum. L.B. P[earson]

[PIÈCE JOINTE/ENCLOSURE]

Note du chef de la Direction européenne

Memorandum by Head, European Division

CONFIDENTIAL Ottawa, May 22, 1956

RELATIONS BETWEEN THE SOVIET UNION AND YUGOSLAVIA

With the public admission in Belgrade by the Soviet leaders that the U.S.S.R. had been in the wrong in its policy towards Yugoslavia since 1948, the chief obstacle in the way of repairing the breach between the two countries disappeared. The process of restoring normal relations with Yugoslavia had been undertaken by the Soviet Union soon after Stalin's death in 1953 and the groundwork for the Belgrade meeting was laid by a series of conciliatory moves on the Soviets' part which demonstrated a reversal of their previous policy. These moves included the stopping of propaganda hostile to Tito's régime, the acknowledgment of the partisans' contribution to the liberation of Yugoslavia, the reopening of communications from Eastern Europe across the Yugoslav borders and the lifting of the blockade on Yugoslav-Soviet Bloc trade. The joint declaration made at the end of the Belgrade meeting laid down the lines which the further development of relations between the two countries should take. It envisaged the expansion of economic co-operation, the promotion of cultural exchanges, the establishment of mutual co-operation in the employment of nuclear energy for peaceful purposes and, finally, the fostering of "co-operation among the social organizations of the two countries — through the exchange of Socialist experiences and the free exchange of opinions".

2. The purpose of this paper is to examine the extent to which these specific intentions expressed in the Belgrade Declaration have been realized in practice to date, and to assess the present condition of Yugoslav-Soviet relations.

Economic Co-operation

(a) *Trade*

3. An economic agreement was concluded between the Soviet Union and Yugoslavia on September 1, 1955. This was followed by a protocol on trade, signed at Belgrade at the beginning of January, which provided for an annual level of trade between the two countries over the next three years of $70 million ($35 million each way). Both parties will take steps to increase this level in subsequent years. The principal goods to be exchanged are coke, coal, crude oil, cotton, ferrous metals and capital machinery from the U.S.S.R., and bauxite, hemp, lead, tobacco and agricultural products from Yugoslavia.

4. The implementation of this agreement will represent a doubling of the 1955 volume of trade between Yugoslavia and the U.S.S.R.; the dollar-value to be established will approximate that of 1948, the last year before the breakdown of economic relations. Similar trade agreements have been concluded, involving less substantial amounts, between Yugoslavia and most of the satellite countries. While the agreements negotiated thus far will mean some reduction in Yugoslavia's trade with the West, they will not restore the commanding position which the Soviet Union and the satellites enjoyed in the immediate pre-1948 period, for Yugoslavia's foreign trade with the rest of the world has of necessity developed quite substantially in the last seven years. The following table illustrates the changes in the pattern of Yugoslavia's exports between 1948 and 1954 and shows that a very substantial further increase in its trade with the Soviet Bloc, particularly with the satellites, would have to take place before its Bloc trade would assume its former dominant position.

Yugoslav Exports — in millions of U.S. Dollars

Year	Total World Exports	To U.S.A.	% of Total	To Western Europe	% of Total	To USSR	To other East Eur. countries	Exports to Bloc as % of Total
1948	303.4	7.8	2.6%	102.1	34.0%	45.4	104.3	50.0%
1950	158.6	21.4	13.5	83.6	52.8	–	–	–
1951	183.6	26.8	14.6	102.4	55.9	–	–	–
1952	246.5	36.1	14.7	153.6	62.3	–	–	–
1953	185.9	26.0	14.0	118.8	64.0	–	–	–
1954	235.6	22.5	9.6	154.7	65.7	1.5	5.3	2.9

5. On the basis of the figures available Yugoslavia's trade with the Soviet bloc should not, as a result of agreements concluded thus far, exceed 25% of Yugoslavia's total foreign trade over the next three years. It is on Yugoslavia's trade with West Germany that its expanding trade with the Soviet bloc is likely to have the most pronounced effect; in 1954 the total volume of Yugoslav-West German trade amounted to $105 million. In this context the Yugoslavs' expressed desire to increase their multilateral trade and develop economic co-operation with OEEC and EPU should be borne in mind.

(b) *Investment Credits*

6. Early in January another agreement was signed between the two countries under which the Soviet Union will extend the following credits to Yugoslavia, to be spent in the next three years and repayable in ten:

(i) $54 million for the purchase of raw materials in the Soviet Union;

(ii) $30 million in gold or Western currency to meet balance of payments difficulties;

(iii) Additional credits amounting to $120 million for the construction of two fertiliser plants, a thermo-electric power station and the renovation and expansion of three mines.

7. Besides the above credits, the U.S.S.R. announced in July the cancellation of Yugoslavia's $90 million debt in respect of raw materials and arms delivered by the U.S.S.R. between the end of the war and 1948. When to these credits are added those which the satellites have extended ($20 million from Poland and $75 million from Czechoslovakia) the total line of credit made available to Yugoslavia by the Soviet Bloc thus far amounts to very nearly $300 million. The credits described above carry an interest rate of 2%, and the Yugoslavs have not been slow to emphasize the favourable nature of these terms in comparison to the higher rate applicable to Western credits (which run, however, for a longer period); Western credits and loans had reached a total of $400 million dollars in 1955. While there is nothing to indicate whether Yugoslavia has also received or will receive military and economic aid from the Soviet bloc (e.g. by virtue of secret agreements), the western figures up to 1955 alone are 600 million dollars (85% U.S., the balance, French and U.K.) in economic and grant aid and one billion dollars in U.S. military aid.

(c) *Technical Co-operation*

8. An agreement on technical co-operation was signed in December between the two countries. Technical documents and licences are to be exchanged. To finance the exchange of experts, technicians and students, a joint fund, to which Yugoslavia and the U.S.S.R. will contribute on an equal basis, is to be set up.

(d) *Co-operation in the Field of Nuclear Energy*

9. At the end of January of this year a general agreement on co-operation in this field was signed. The Soviet Union will extend the necessary technical, scientific and financial assistance to permit the Yugoslavs to construct a nuclear reactor which should come into opera-

tion towards the end of 1957. The Soviet Union will also provide Yugoslavia with a supply of nuclear fuel at world prices to assure the continuous operation of the reactor.

10. In announcing this agreement, Vice-President Rankovic, the head of the Yugoslav Federal Commission for Nuclear Energy, emphasized that Yugoslav experts would participate in the reactor project right from the beginning and that part of the necessary equipment would be manufactured in Yugoslav plants. At the same time he stressed his government's desire to see the development of co-operation on nuclear matters between Yugoslavia and as many countries as possible. It seems probable that Yugoslavia is aware of the danger of becoming dependent solely on the U.S.S.R. in this field.

Cultural Relations

11. In the months preceding the Belgrade meeting there had been a good deal of activity in this field, but since last spring the number of delegations, visiting artists and so on, exchanged between the two countries has increased substantially. Delegations of parliamentarians and journalists, folk-dancers and ballet groups have been exchanged, and this type of co-operation appears to be receiving active encouragement on both sides.

Communist Party Contacts and "Ideological" Co-operation

12. This very important aspect of the development of Soviet-Yugoslav relations is also the most difficult area to discuss with any degree of certainty at the present time. Before the Belgrade meeting the Yugoslavs had made clear their unwillingness to discuss ideological matters with the Soviet leaders. Despite this, Khrushchev concluded his address on his arrival at Belgrade by saying that it would be his delegation's duty to foster mutual understanding between the Communist Party of the Soviet Union and the Yugoslav Union of Communists. It is generally agreed by observers that Tito did not take kindly to this initiative on Khrushchev's part, and that the Russians were rebuffed in their attempts to pursue further the question of ideological contacts at the Belgrade meeting. Only an oblique reference was made to the matter in the communiqué issued at the end of the conference, which contained a brief mention of the desirability of the "social organizations" in the two countries establishing contacts and exchanging "socialist experiences". In the subsequent talks between the Yugoslav Government and the United Kingdom, French and United States Ambassadors, the Yugoslav Under-Secretary of Foreign Affairs admitted that the discussions on inter-party relationships had gone farther than the Yugoslavs had desired due to the persistence of the Soviet leaders, but M. Prica emphasized that any contacts which might be established between the respective party groups would in no way compromise the independence of the Yugoslav Union of Communists. It remains to be seen, however, whether the Yugoslav communist party will be as successful as one would wish in resisting the influence of the Soviet party; certainly the ideological "gap" between Yugoslavia and the Soviet Union has been narrowed, if not almost completely bridged, as a result of the new line adopted by the Soviet leaders at the 20th Congress of the Communist Party in February of this year.

Implications of the 20th Party Congress for Yugoslavia

13. The Moscow Party Congress was an event of the first importance in the development of Soviet-Yugoslav relations, incorporating as it did into the formal body of current Soviet policy many of the elements implicit in the Soviet approach to effect a reconciliation with Tito. An early recognition by the Yugoslavs of the themes developed at the Congress was extended in the form of a letter of "comradely greetings" from Tito to the Congress. The letter played up the identity of the aims of Yugoslavia and the U.S.S.R., and acknowledged the latter as "a great socialist country" which had made enormous advances by adhering to

"Leninist consistency". This marked a significant departure from earlier Yugoslav accusations that the Soviet Union had deviated from the true spirit of Marxist-Leninist teaching by establishing a monolithic state claiming authority over the growth of socialist movements in other countries.

14. The results of the Congress were enthusiastically welcomed in Belgrade as convincing proof of a definitive break by the U.S.S.R. with Stalinist policies and practices. The Yugoslavs feel that there are signs of internal changes in the Soviet Union which will permit some degree of decentralisation and will impose a curb on the arbitrary and independent authority of the Secret Police. The Yugoslavs see at least the possibility of an internal system emerging in the U.S.S.R. which would be closer to their own. Particularly important, of course, for Yugoslavia was the acceptance at the Congress of the doctrine that there are many roads to Socialism. They realize probably that their own interpretation of this doctrine is broader than that given it by the Russians, but have nevertheless greeted the abolition of the Cominform as a sincere move on the part of the Soviet leaders to give substance to their professions on this score.

15. The new Soviet line developed at the Congress, and particularly the denunciation of the Stalin legend, has already had important repercussions on Yugoslavia's relations with its satellite neighbours. From the time of the Belgrade Declaration until the Moscow Congress the satellites in general lagged behind the Soviet Union in the process of "normalizing" their relations with Yugoslavia and it was left chiefly to the latter to take the initiative in settling points of difference and fostering concrete co-operation with its *bloc* neighbours. Now that the anti-Stalinist line has been unambiguously laid down as official doctrine by the Congress, the process of re-establishing normal relations between Yugoslavia and the satellites has been accelerated. A striking case in point has been the deposition of Chervenkov in Bulgaria, who had been a particular *bête noire* for the Yugoslavs. An analogous pattern is being followed in the other satellites where former leaders (like Rajk in Hungary), who were accused of "conspiracy with Tito" at the time of Yugoslavia's break with the Cominform, are being rehabilitated. While in a satellite such as Hungary a "stalinist" leader has thus far succeeded in retaining his position, Tito now appears to hold an undisputed upper hand in regulating his country's relations with these satellites and is able to effect a reconciliation on his own terms. In Hungary's case, this means that Rakosi will probably see himself obliged to agree to Tito's demands for financial compensation for the damages inflicted on Yugoslavia's economy by the rupture of Yugoslav-Hungarian relations in 1948.

16. It is understandable that the Yugoslavs should view these developments with profound satisfaction. Convinced, as he seems to be, that the recent changes in Soviet policy represent a real reversal of attitude and not merely an alteration in tactics, Tito believes that publicly the line taken at the Moscow Congress should receive the maximum of encouragement. However, the Yugoslavs have indicated to Western representatives that they are aware that the new Soviet approach is not without its dangers and that prudence is necessary in responding to Soviet initiatives. Thus Mr. Spaak, who went to Belgrade recently with doubts concerning the ability of the Yugoslavs to resist the forces which are pulling them towards a closer alignment with the East, returned convinced that Tito has no intention of allowing Yugoslavia to be drawn within the Soviet orbit. While condemning in public the existence of power blocs, the Yugoslavs have intimated in private that they attach great importance to the maintenance of a strong and unified NATO, at least until a general security system involving disarmament has been worked out. This is not say that Yugoslavia is still fearful of Soviet aggression; the significant reduction in their defence budget for 1956 and the utilization of military plant capacity for the production of civilian

goods provide good evidence that Tito is confident that the Soviet Union does not currently pose a threat to his country's security. But at the same time he appears to recognize the justice of the Western argument that the repudiation of Stalinism stems from a realization on the part of the U.S.S.R. that it was the aggressive tactics of Stalin which forced the West to unite, and that in continued Western solidarity and strength lies the only valid guarantee at present for continued "good behaviour" by the Soviet leaders.

Conclusion

17. The successful and rapid implementation of the measures for developing relations between Yugoslavia and the U.S.S.R., which the Belgrade Declaration formulated on paper, and to which the Moscow Congress gave added impetus, must be a cause of concern for the West. The conditions which forced Yugoslavia to seek Western support, — its political and economic isolation following the break with the Soviet Bloc in 1948 — have, it must be recognized, been largely removed. On the other hand there is no reason to believe that Tito intends to permit the present trend of Yugoslavia's relations with the U.S.S.R. to lead to the absorption of Yugoslavia within the Soviet Bloc, even should the U.S.S.R. be prepared to offer his country the status of a "most-favoured" satellite. He would also probably steer clear of any attempt to revive the pre-1948 scheme to establish a south Slav Union to include Bulgaria and Yugoslavia with the latter exercising hegemony in the confederacy. He is probably fully aware that the Soviet leaders took the initiative in restoring friendly relations as a result of Yugoslavia's vigorous assertion of independence vis-à-vis both blocs. However much he may believe that the U.S.S.R. has abandoned the policies and practices of Stalin, he probably realizes that in the long run Yugoslavia has more to gain by maintaining its independent position than by entering the Soviet fold, no matter how favourable the conditions which the U.S.S.R. offered to induce him to compromise that independence. Moreover, he probably realizes that his own personal position of leadership would be gravely imperilled should he permit the current rapprochement with the U.S.S.R. to go too far. Other strong bulwarks against Soviet domination will be the Yugoslavs' intense nationalism and their pride in the leading role they feel they have assumed among those nations which have not identified themselves with either of the two blocs. I believe that they would be most unwilling to abdicate this role in which they cast themselves as leaders among the independent nations of the world, a role which has paid off in terms of the very tangible benefit of being courted by East and West alike, in favour of the dubious advantage of becoming a Soviet satellite.

18. That Yugoslavia welcomes the current trend of its relations with the U.S.S.R. and its satellite neighbours is indisputable and we must probably expect to see a considerable further development of these relations. More especially in the field of trade and economic relations, its heavy import requirements, its deteriorating balance of payments, and its financial arrears with Western nations, will induce Yugoslavia to cultivate opportunities for wider co-operation with the Soviet bloc. Since the Yugoslavs are apparently intent on maintaining domestic consumption and industrial investment at a level which their own resources cannot accommodate, and often have difficulties in selling their products competitively in Western markets, a situation exists which the Soviets will know very well how to exploit. Militating against the possibility of Yugoslavia becoming economically dependent on the Soviet bloc, will be (a) their appreciation of the catastrophic economic consequences after 1948 which resulted from their earlier complete reliance on Soviet Bloc trade, (b) their greatly expanded markets in Western Europe, (c) their realization of the political disadvantages involved in economic subservience to the Bloc, and (d) their obvious interest in developing their trade on a multilateral basis.

19. Seen through Yugoslav eyes, the Soviet Union's initiative in restoring normal relations with their country is convincing proof of their contention that the Soviet leaders are sincere in the profession of their peaceful objectives and their repudiation of aggressive methods in extending their influence. Consequently, Tito will now tend to view more critically the reaction of Western powers to future Soviet manoeuvres. The leverage which Western economic and military aid formerly exerted on Yugoslavia's attitude has diminished, and many Yugoslav communists will undoubtedly feel relieved now that they can endorse the social and economic goals of the Soviet Union. The Western powers may, therefore, meet with more outspoken criticism from the Yugoslavs, particularly concerning the "anti-communist bias" of NATO. Tito will not wish to forfeit Western economic and military assistance, but he will probably be even more insistent than formerly that no strings are attached to such aid. As far as military aid from the West is concerned, Tito probably regards it as less vital than before, since the threat of aggression from the Soviet Union, in his view, is now much more remote. He will continue to play down the military aspect of the Balkan Alliance, but will probably not contemplate abandoning this tie with his non-communist neighbours to the south, since it provides a useful counterbalance should Soviet friendliness show signs of changing into Soviet pressure.

20. The Yugoslavs have for some time insisted that the only hope of detaching the Soviet satellites from complete subservience to Moscow was by concentrating on the attraction of Tito-type national communism. The recent developments in the U.S.S.R., and their reaction in most of the satellites gives some hope that there is greater possibility for this than existed before the 20th Party Congress. The key role of Yugoslavia in this approach to Eastern Europe need hardly be exaggerated; we shall develop this theme at greater length in a subsequent paper on developments in the Soviet satellites.

21. Real long-term dangers exist in the present development of Soviet-Yugoslav relations, which might rapidly become present realities should Tito die and an internal conflict develop in Yugoslavia over the leadership of state and party. In such a situation one of the contenders for power might be tempted to assure his own position by calling on Soviet support — for which Yugoslav independence would be the price. Barring some such upheaval we think that Tito is well aware that he must set limits to the extent of Soviet-Yugoslav co-operation if Yugoslavia is to continue to prosper as a national entity on the international scene. It will continue to be in the best interests of the West to do what it can to assist the Yugoslavs in their desire to preserve their independence intact, although it will be more difficult to know what course should be adopted to this end, now that the more obvious props to mutual understanding between Yugoslavia and the West have been removed.

R.A.D. FORD

541. DEA/50128-40

Note du sous-secrétaire d'État suppléant aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Deputy Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], May 23, 1956

RELATIONS OF NATO WITH THE U.S.S.R.

I attach a paper entitled "New Departures in Soviet Foreign Policy — Some Suggestions for a Positive Response", which is a first attempt to answer the first question you have posed as part of the work of the Committee of Three;[92] i.e. "What should be the aims of NATO in the light of current Soviet policy, and what should be the relationship of NATO to the Soviet bloc?"

2. NATO's first aim is clearly to tighten the alliance and prevent the centrifugal forces from sundering it. Its second aim, in my opinion, should be to try to work out a reasonable basis of living together with the Soviet bloc; and the third aim should be to try to restore as much as possible of the ancient cultural and political unity of Europe.

3. It would be natural to assume that we should not attempt the second and third aims, (which are in fact barely separable), until we have achieved the first. But I think we must proceed simultaneously partly because time is short, and partly because we may not be able to maintain the unity of the NATO alliance unless we show a willingness to move on to the subsequent aim of taking the initiative with the Russians.

4. The attached paper presents the arguments why we must do so, and makes some suggestions as to how it could be done. We hope later to make some proposals on the substance of matters to be discussed with the Russians, which could be throughly thrashed out in the NATO Council before an effort is made to re-open negotiations with the U.S.S.R.

R.M. M[ACDONNELL]

[PIÈCE JOINTE/ENCLOSURE]

Note du chef de la Direction européenne

Memorandum by Head, European Division

SECRET [Ottawa], May 23, 1956

NEW DEPARTURES IN SOVIET FOREIGN POLICY — SOME SUGGESTIONS FOR A POSITIVE RESPONSE

The North Atlantic Council is well advised to re-examine the alliance in the face of changing Soviet tactics and conditions in Europe. But I think it would be a mistake to concentrate exclusively on ways and means of holding the alliance together and meeting the challenge of the U.S.S.R. in new fields. In my opinion it is equally important for the alliance to take the initiative with the Russians and to try to exploit the present situation in the same way the latter are trying to take advantage of the changing atmosphere in the West.

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[92] Pour des documents sur les travaux du Comité des Trois, voir volume 22, chapitre III, section 3.
For documentation on the work of the Committee of Three, see Volume 22, Chapter III, Section 3.

2. In the first place it does not seem to be sufficiently appreciated that the recession of a direct military threat to the West is a tremendous step forward over the situation in 1949. And if there is one aspect of Soviet policies of which we can reasonably be sure it is their belief that a global war between the two blocs must be avoided.

3. The latest indication of their seriousness on this point, in my opinion, is their attitude towards the Middle East. It seems likely that they came to the conclusion that the United Kingdom was no longer able to control the Arabs and that unqualified Soviet support of the latter could lead to hostilities which it would be difficult to prevent from involving the big powers. And for this they were prepared to pay a big price — their hitherto considerable prestige with the Arabs.

4. We can now be reasonably sure that the Russians wish to avoid war and that they may be prepared to pay a political price to avoid unnecessary risks. (This is also upheld by the remarkable forbearance of the Chinese Communists over Quemoy and Matsu.) It has also been said in the West, however, that it was even more important for the Russians to know, as a result of the Summit Conference last July, that the West equally wished to avoid a global war. But before this conference, our intelligence experts argued that the main dangers of a Soviet attack came from the possibility of a Soviet assessment that the West might attack the U.S.S.R., thus leading to a decision to launch a preventive war, or through local wars involving the big powers inadvertently. If we accept this intelligence judgment, then the mutual understanding is of great importance to the West, since the latter clearly does not intend to attack the U.S.S.R.

5. The Soviet theory of war has always been quite cautious about the circumstances in which the Soviet motherland should aid a foreign revolutionary movement. Even in Stalin's day it was admitted that the safety of the U.S.S.R. came first. Therefore, today I think it highly improbable that the U.S.S.R. has any intention of launching any military adventure even if there should be a Communist revolt in some western or non-committed country.

6. All this surely is a great advance over the situation a few years ago. But the West seems only grudgingly to admit it and is too pre-occupied with the dangers presented by peaceful competitive co-existence to see that there has been an advance which we could, I think, exploit even further to our advantage. The difficulty lies in the difference between our private assessments and our public positions, but there is some evidence recently that Mr. Dulles, for example is beginning to narrow this gap. Furthermore, if we do not recognize the nature and the extent of the changes in Soviet policy we may be in danger of losing what advantages we now have.

7. I have been saying for some months now, and I am more convinced than ever of my view, that the changes inside Russia are of very great and far-reaching importance. They may have started as political tactics but their effect is to change very considerably the atmosphere in Russia, and to start a train of events which, barring the rise of a new Stalin, can have the long-run effect of creating a more decent, and even "bourgeois" type of society in the U.S.S.R., one which will certainly bear little resemblance to western society (it did not even before the Revolution), but one which it might be possible to live with. I believe we are witnessing the beginning of that mellowing process which George Kennan as long ago as 1947 said was the only hope for the West.[93]

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[93] "X", [George F. Kennan], "The Sources of Soviet Conduct," *Foreign Affairs*, Vol. 25, No. 4, pp. 566-582.

8. Mr. Kennan also said that we could make no advance in the containment policy unless it were possible to bring a double pressure to bear on the Soviet Union — a pressure from outside coinciding with pressure from inside, and I do not think he envisaged this as being necessarily military and/or revolutionary pressure.

9. It would be a serious mistake to think that there was a weakening of the régime, but there is a new and more pragmatic feeling among the Soviet leaders, combined with a very great desire on the part of the bulk of the population to return to normality. It is my belief that this greater flexibility and sensibility extends, or could be made to extend, to the conduct of Soviet foreign relations as well. I am preparing a list of the measures taken by the present Soviet government in the past three years to eliminate the more unacceptable aspects of their domestic and foreign policies, and I think we will be surprised at their extent, though, of course, they have not been prepared up to now to abandon any positions they consider essential to the security of the U.S.S.R. At the same time, the Russians are not abandoning their basic aims as Communists, but the practical limitations on Marxist theory are becoming very considerable.

10. There are, of course, very compelling political reasons why the West must not permit its peoples to jump to premature conclusions about Soviet intentions. There are two dangers, however, inherent in the present policy of reasserting that the changes in Soviet policies are purely tactical and that the threat to the West remains as great as ever. The first is that the average person may become skeptical if the Russians continue their present skillful line, and press ahead with the semblance of unilateral disarmament, and so on. The second is that the Soviet leaders, some of whom at any rate seem to be governed to a large extent by emotions, may decide that they have been unable to make any headway with the West through a "peaceful" policy, and counsel a reversion to tough tactics. A Stalinist wing appears to remain in the Soviet hierarchy, and a Western failure to respond to Soviet advances could well play into the hands of this group. I doubt if anyone would wish to argue that a return to Stalinist policies in foreign affairs would be an improvement for the West.

11. There are then, it seems to me, two conflicting aims in the minds of the Soviet leaders. The first is the orthodox Marxist aim of extending the area of Communism by peaceful means. The second is to restore the self-respect of the Russians, to regain the position of Russia as a member of civilised society, at the same time, of course, advancing its policies as a great power. These two aims are in some, but not in all, senses contradictory. I think our aim should be to strengthen the position of those in the U.S.S.R. who would put the second aim as the primary one.

12. To do this I would like to suggest that the West once again take the initiative in suggesting diplomatic conversations with the Russians. I am wondering if the way to do it might not be by an invitation to Moscow to revive the Council of Foreign Ministers, set up at the Potsdam conference and still theoretically in existence. The Russians would be very flattered at the revival of an organ which was originally constituted at the moment of allied co-operation, and in the atmosphere of big power equality they may be better disposed to discuss seriously questions outstanding between East and West.

13. If no attempt is made to re-establish direct diplomatic negotiations with the United States, then the only prospect for the coming year is of sporadic and not very satisfactory talks with the French and British, and later the Scandinavians and others. Indeed the Franco-Soviet talks have pointed in a direction potentially very dangerous for the Western alliance. Khrushchev has already hinted that these contacts are all very well but what they really want are conversations with the Americans. There can be no other interpretation of

his speech at Moscow Airport on his return from the United Kingdom. Naturally, what the Russians would like above all is a direct two-power relationship with the United States, but, as a second-best, I think they would be very pleased with a revival of the Council of Foreign Ministers which would certainly be preferable from our point of view, though in the unlikely event that the U.S. seemed disposed to try out direct talks with the Russians then I do not think the West should object.

14. NATO itself is obviously not in a position to institute talks with the Russians, but a decision to authorise the reconstitution of the Council of Foreign Ministers might be taken up in the NATO Council where the matters to be discussed with the Russians could also be reviewed.

15. If the Council of Foreign Ministers were revived, there is a good chance I think that the Russians might agree to the general lines of a settlement in the Middle East, which seems to me the most promising ground to start on. If any progress were made there, the Ministers might then have another go at German re-unification, disarmament and European security. Even if they failed to reach agreement, the purpose would have been served of keeping these subjects constantly in the public mind and of reminding the world of where the blame for stalemate lies.

16. But specifically the most important aspect of this type of move would be related to Germany. Reports from the Federal Republic indicate that there is already considerable misgiving, though not in official statements, about the ability of the Federal Republic to hold the line on re-unification in the light of two Soviet moves — unilateral Soviet disarmament, and the efforts towards making the East German régime "respectable". The feeling is bound to grow in Western Germany that the U.S.S.R. is pushing the West towards a détente in Europe in which the question of re-unification will become lost, and at the same time the pressure in Germany to commence direct negotiations with the East Germans is going to become well nigh impossible to resist, particularly as the coalition of Herr Adenauer becomes weaker. It thus becomes very important for the NATO alliance to regain the initiative with the Russians.

17. We perhaps have not exploited sufficiently the clear Soviet desire to wish to avoid war. This might be stressed again, first in the Middle East, and then in Germany by urging the inconsistency of refusing to settle problems which could in time produce the global war they wish to avoid. The explosion of an H-Bomb from an inter-continental bomber by the Americans makes it even more important to follow up this display of power by a manifestation of peaceful intentions.

18. It would naturally be unwise for the West to propose the revival of the Council of Foreign Ministers before it had clarified what it was prepared to offer on either the Middle East, German reunification, disarmament or European security. On the Middle East there is considerable room for scope. On the other three questions there may be nothing new to be said. NATO could at any rate restudy them (disarmament in relation to the other two) and at least agree on a bargaining position. If progress were made in an area where the lines have not yet been rigidly drawn — the Middle East — it might just be possible to proceed with more hope of success in other areas.

19. I realise it may not be politically feasible to consider reopening negotiations with the Russians on the basis of the Council of Foreign Ministers during an American election year. But an attempt to keep at the Russians on the important outstanding issues would certainly be very acceptable politically to most Europeans.

R.A.D. FORD

542. DEA/50128-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], July 30, 1956

SOVIET FOREIGN POLICY

I attach herewith a paper prepared in the Department which attempts to review the course of Soviet foreign policy since the death of Stalin, to help in our appreciation of whether the West is in a more or less favourable position now than it was at the beginning of 1953. You will see that our conclusions are generally that, in spite of some advantages gained for the USSR as a result of new and more flexible tactics, the Western position, strictly in terms of relations with the Soviet Union, has improved. This does not mean that the West will necessarily be able to maintain its position in a much more fluid situation. What is done about it now is a question for the Western statesmen to decide.[94]

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note du chef de la Direction européenne

Memorandum by Head, European Division

SECRET [Ottawa], July 27, 1956

SOVIET FOREIGN POLICY SINCE THE DEATH OF STALIN: A BALANCE SHEET

In my memorandum of May 23 entitled "New Departures in Soviet Foreign Policy — Some Suggestions for a Positive Response", I said that I was preparing a list of the measures taken by the present Soviet government in the past three years to eliminate the more unacceptable aspects of their domestic and foreign policies. The purpose of this memorandum is to examine the changes which have taken place in Soviet foreign policy since 1953 as a means of comparing the situation prior to the death of Stalin and the situation today.

At the time of Stalin's death, there was a virtual deadlock on Soviet-Western relations affecting both major and minor differences. The Soviet take-over of the Eastern European countries in the immediate post-war period, Soviet intransigence over a peace settlement for Germany and Austria, the Berlin blockade, Soviet refusal to negotiate over disarmament, the Chinese Communist successes on the mainland of China, and Communist aggression in Korea and Indo-China — in short, Soviet and Chinese Communist refusal to reach a settlement with the West on any outstanding issue was the dominant characteristic of the "Cold War" period. The "tough" policy of Stalin led to a "tough" policy on the part of the Western world, the concrete manifestations of which were on the military side, the establishment of NATO in Europe and of comparable defensive arrangements in Southeast Asia and the Middle East; and on the economic side, the Marshall Plan for Europe and the

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[94] Note marginale :/Marginal note:
I could have used this more effectively if it had reached me before my estimates came up. L.B. P[earson]

Colombo Plan and the UN Technical Assistance Programme for the under-developed countries. Soviet isolation from and intransigence toward contact with the Western powers were such that virtually their only means of communicating with the West was by propaganda broadsides in whatever form and through whatever medium offered itself for those purposes. But the main point to be borne in mind is that, both at the time of the Berlin blockade and of the outbreak of hostilities in Korea, it was generally feared that we were perilously close to the outbreak of general war, and that this situation no longer applies. We should therefore examine the events of the past three years to see what has brought about this all-important improvement in the world situation.

With the death of Stalin on March 5, 1953 and his succession by Malenkov, there was an immediate softening in the tone of foreign policy pronouncements. Malenkov said there were "no disputes or unsolved problems which cannot be resolved by peaceful means", including those with the United States. At the time, it was thought that this indicated a desire not to run the risk of further foreign troubles until the matter of succession was settled and the new leaders had picked up the reins of government in the USSR. We can now safely assume from the speed and thoroughness of the new approach that many of the Soviet leaders under Stalin realized even before his death the blind alley into which Stalin's tough policy had led the Soviet Union and the impossibility of extending Soviet influence by the means which had worked well before the West became aware of the nature of the Soviet threat. Inflexibility of opposition and isolation from contact and negotiation left very little room for manoeuvre. They were, no doubt, also disturbed even at that date by the possibility that the tough policy might lead to the outbreak of global — and thermonuclear — warfare, with the attendant threat to the Soviet Union because of the superiority of the West in that field.

Almost immediately following Stalin's death, there were a series of minor concessions designed to reassure the West of the USSR's good intentions. Exit visas, long denied, were granted to the Soviet wives of British and American nationals. Travel restrictions on foreign diplomats in Moscow were relaxed. Attempts were made to restore normal relations by appointing Ambassadors to Yugoslavia and Greece. Diplomatic relations, broken off at the time of the fantastic "Kremlin doctors' plot", were restored with Israel. Normal diplomatic relations, in the form of an exchange of Ambassadors, were restored with Canada. Territorial claims against Turkey, put forward in 1946, were withdrawn.

Efforts were also made in more important fields to repair the damage done by Stalinist foreign policy. The Russians showed a particular interest in international conferences outside the United Nations and reminiscent of the war-time Grand Alliance whereby the major powers effectively ran the world. This seemed a more useful means of pursuing Soviet objectives, and particularly of eliminating the risks of war associated with dangerous trouble spots like Korea and Indo-China. The Soviet Union gave immediate support for (if it did not actually initiate) Chinese Communist and North Korean suggestions for resumption of talks which led to the conclusion of a truce in Korea.

At Molotov's suggestion, the Big Four met in Berlin in January 1954 to discuss the German and Austrian peace treaties. The Soviet initiative was a reaction to the spectre of German re-armament and the Federal Republic's incorporation into the Western defence structure. Molotov made it clear, in proposing a European security organization in place of the proposed European Defence Community, that the Soviet Union would not loosen its grip on Eastern Germany and Austria and that peace treaties were only possible with the guarantee, at minimum, of complete neutralization of Germany and Austria. Nevertheless, in spite of qualifications, it was significant that the conference had even assembled for a discussion of a major outstanding difference.

In April 1954, the Big Four met in Geneva to discuss Far Eastern affairs. Discussions on Korea confirmed the stalemate. The Soviet Union was content to see the continuation of the armistice arrangements and had no intention of weakening Communist control of North Korea. On Indo-China, there was a clear Soviet desire to reach a negotiated settlement even though there was a military situation on the whole favourable to the Vietminh forces. The truce left Communist forces in control of northern Vietnam; but the Soviet retreat from their earlier insistence on the 14th parallel as the dividing line and substantial regroupment areas in Laos and Cambodia indicated that the Russians and the Chinese Communists were clearly anxious to prevent the Indo-China war developing into a more dangerous source of conflict between East and West.

In another Far Eastern trouble spot, the island of Formosa, the Soviet Union has endorsed China's policy, but has been careful not to commit itself to open support of a Chinese attack on Formosa or the off-shore islands. There is some reason to surmise that the Soviet Union has, in fact, acted as a restraining influence on the Chinese Communists.

It now seems clear that Soviet-Chinese relations were not good during the last years of Stalin's régime, partly because Stalin had not been enthusiastic about Mao Tse-tung's plans for the conquest of the whole of mainland China, partly because Stalin probably had a tendency to treat China as little better than a satellite instead of as a partner. In mid-1954, Khrushchev, Bulganin and Mikoyan paid a visit to Peking in an effort to improve relations with China. The result was the Joint Declaration of October 12 which provided for consultation on all matters of mutual interest, the evacuation of Port Arthur by Soviet troops, the construction of new railway lines between the two countries, the transfer to China of Soviet shares in Sino-Soviet mixed companies and Soviet economic and technical aid to China. The new Soviet leaders recognizing the importance of China as a Far Eastern power whose friendship was important to the USSR, made these several concessions, which must have been very satisfactory to the Chinese, and thus sought to ensure that China would remain a close ally.

Early in 1955, the Soviet Union, which did not participate in the San Francisco conference leading to the signing of a Peace Treaty with Japan, offered to negotiate a separate peace treaty. Talks were begun in London in May 1955, and have continued sporadically since that time. While the Soviet Union has pressed for the establishment of diplomatic relations as a first step, leaving the questions of territorial adjustments, the repatriation of Japanese prisoners-of-war and fishing rights for later negotiations, the Japanese have proved tough bargainers and have, at least until now, insisted that outstanding issues must be settled as an integral part of an overall settlement. A temporary understanding has been reached on fishing rights, but failure to find agreement on the other outstanding issues has so far blocked the conclusion of a peace treaty and the establishment of diplomatic relations.

Reverting to the European scene, the defeat of the EDC proposals in France led to the London talks and the signing in October 1954 of the Paris agreements on Western European Union. For the next few months before ratification had been effected, the Soviet Union concentrated all its attention on blocking German re-armament. A note to the Western powers suggested a new four-power meeting on Germany and Austria. A conference on European security, attended only by the USSR and its satellites, met in Moscow to discuss an integrated command structure in the event the Paris Agreements were ratified. Subsequently this developed in the East European Treaty Organization with the signing of the Warsaw Pact in May 1955. The Soviet Union threatened to annul the Franco-Soviet and Anglo-Soviet agreements and asserted that there would be no further opportunity for negotiation on Germany if the Paris Agreements were ratified. The Soviet tactics failed and the agreements were ratified, but the Soviet Union did not maintain the strict intransigence it had threatened in all fields, although the treaties with France and the U.K. were denounced.

In the spring of 1955, a peace treaty was negotiated with Austria more favourable than anything which the Soviet Union had previously been willing to consider. Military neutrality was the price Austria paid, but the Soviet Union gave up its earlier insistence on maintaining occupation forces in Austria until a German Peace Treaty was signed and in fact withdrew its forces well within the stipulated 90 day period. The Austrian state treaty was no doubt intended among other things to demonstrate to the Germans the advantages of direct negotiation with the Russians and to suggest that neutralization might be a solution to the German problem.

Starting with the London talks in the spring of 1954, the Soviet Union has shown a substantial interest in disarmament as more than a propaganda gambit and has, for its own reasons, made significant concessions to the Western point of view, for example that on the levels of forces. Whatever the reasons, the Russians have, within the last year, swung around from the demand that total prohibition of thermonuclear weapons must precede any general disarmament to a phased disarmament programme in which reductions in both the conventional and the thermo-nuclear fields would take place simultaneously. But the Soviet position on the essential question of an effective inspection and control system is still not acceptable to the West as it does not offer the proper safeguards. In the absence of a general disarmament agreement, the Soviet Union has made two unilateral declarations of reductions in its armed forces, one last summer in the amount of 640,000 men, and one recently in the amount of 1,200,000 men to be demobilized by May 1, 1957, but it must be assumed that these have not substantially affected the real armed might of the Soviet Union.

The major significance of the Geneva meeting of Heads of State in July, 1955, is that it seems to have convinced the Russians that the West does not intend to initiate an attack on the Soviet Union. Global war involving thermonuclear weapons, which they probably already realized would be a war of mutual annihilation, could be ruled out, at least under present conditions, and certainly could not be regarded as an instrument of policy. The friendly atmosphere in which the Heads of State met, however, did not mean that there had been any fundamental change in Soviet foreign policy. Before the conference, the Soviet leaders made it clear that they were not prepared to discuss either the position of the satellites or the role of international communism. Nor has there been any indication since that time that these two are the subject of discussion or negotiation with the West. Discussion at Geneva in July was in fact limited to German re-unification, European security and disarmament. With the exception of President Eisenhower's proposals on the exchange of military blue-prints, neither side advanced any new proposals for the solution of these problems.

Between the two Geneva conferences, the Porkkala naval base was returned to Finland prior to the expiration of the Soviet lease. The base no longer had great strategic significance, so that its return must be seen as a gesture aimed at improving relations with Finland and convincing the rest of the world of the peaceful intentions of the Soviet Union.

During the same period, the USSR took the initiative on the establishment of diplomatic relations with the Federal Republic of Germany. The chief reason was to try to promote, through direct contact with the West German Government, the reunification of Germany on terms acceptable to the Soviet Union. The expectation is that this will have a greater chance of success the longer it is apparent that four-power discussions on Germany are failing to lead to agreement on German reunification. The establishment of relations with West Germany was followed almost immediately by the granting of full "sovereignty" to East Germany, which thus assumed full satellite status and subsequently became a full member of the Warsaw Pact.

A number of German prisoners-of-war who had been held in the Soviet Union since the cessation of hostilities were allowed to return to West Germany as a condition for the establishment last autumn of diplomatic relations between the USSR and the Federal Republic. Since that time, a number of other foreign nationals have been released from the Soviet Union and there is even a thin trickle of exit permits being granted to Soviet nationals going to join close relatives abroad. This encouraging sign is counter-balanced to some extent by the "Return to the Homeland" campaign being conducted by the Soviet Union and other Soviet Bloc countries. Its main purpose would appear to be to disrupt and demoralize the émigré groups who are most vociferous in their anti-communist propaganda.

The Geneva Meeting of Foreign Ministers in October-November 1955, brought the Soviet Union and the West no closer to agreement on major issues. Its chief advantage was the opportunity it afforded for a clear statement of Soviet and Western positions, particularly on Germany but also on the matter of East-West contacts. Neither side made any concessions of substance. The Soviet Union seems to have accepted, for the time being, the continuing division of Germany and the firm incorporation of a strengthened East Germany into the Soviet bloc in the pattern of the other satellites. Its terms for reunification are still the preservation of the social and economic structure of Eastern Germany in a unified Germany.

In spite of Mr. Molotov's rejection at the Geneva meeting of the far-reaching Western proposals on East-West contacts, there is no indication that the Soviet Union intends to return to the extremes of post-war isolationism. The USSR continues to promote a controlled programme of contacts within its chosen limits. The primary purpose is to obtain scientific and technical "know-how" from the West to assist in Soviet economic development, and in order to achieve this objective, the Soviet Union seems to be willing to share at least some of its knowledge in fields where it is ahead of the West. A secondary purpose is to create a good impression of Soviet accomplishments and to foster the idea of the Soviet Union's peaceful intentions and general reasonableness in dealing with the outside world. It has been comparatively forthcoming in permitting journalists and "casual" visitors into the USSR, and arranging theatrical and artistic visits from Western countries. Tourist visits to the USSR are encouraged, and some Soviet citizens are travelling as tourists outside the Soviet bloc, though in both directions the Russians prefer group to individual tourism. The exchange of parliamentary delegations is also being encouraged, though visits to the Soviet Union greatly exceed those of members of the Supreme Soviet to other countries. It is also worth mentioning that the jamming of BBC broadcasts has recently ceased, and that the United States will shortly resume publication of its magazine *Amerika* in the Soviet Union.

After a period of apparently considerable suspicion about the motives behind President Eisenhower's "Atoms for Peace" proposal late in 1953, the Russians, beginning last summer, began to show serious interest in international co-operation in the atomic energy field. Their scientists were remarkably forthcoming about Soviet experience at the U.N.-sponsored conference on exchange of atomic information at Geneva in July 1955. The Soviet Union has since shown itself prepared to co-operate in the establishment of the International Atomic Energy Agency, which will be concerned not only with exchange of information but, more important, with the provision of atomic assistance to underdeveloped areas.

Although it was foreshadowed as long ago as the 19th Party Congress in 1952, we have only become generally aware in the last year that the Soviet Union has embarked on a new programme for the extension of Soviet influence, a programme of economic penetration. The new drive for foreign trade and technical assistance, directed primarily at the underdeveloped countries, has some economic motivation, though its primary purpose is political — to convince the target countries of the advantages of a policy of neutrality in the East-West conflict and of the possibilities of close and safe relations with the USSR. The Soviet Union has been at pains to emphasize that it is offering trade, not aid, without political or military strings attached. Its offers, therefore, have consisted of such things as the purchase of surplus supplies of basic products and long-term, low-interest loans for development purposes. The economic drive has already done much to convince the underdeveloped countries that the USSR is a peace-loving state with no aggressive designs upon them, and that it can and will assist them in their economic development without endangering their national independence.

The economic offensive has been most aggressive in South Asia, followed by the Middle East, with Africa and Latin America as lesser targets for later exploration. The effectiveness of the economic drive in Asia was greatly assisted by the Bulganin-Khrushchev goodwill tour of India, Burma and Afghanistan last year, and by the more recent trip through the same area by Mr. Mikoyan. Although there is no present prospect that India or Burma might align themselves firmly with the Soviet Union, the results of economic penetration in Afghanistan are a very worrying indication of the potential effectiveness of this new type of Soviet imperialism.

One aspect of Soviet foreign policy which has been deeply disturbing to the West, and particularly to the United Kingdom, has been its recent active participation in Middle East affairs. The Soviet entry into this area, in which it has, until recently, shown almost no interest, was pointed up clearly in the provision of Czech arms to Egypt. This activity should be seen primarily as an attempt to embarrass the West in the area and to weaken Western influence, but there are indications that there may be some genuine Soviet concern about the intentions of the West in establishing the Baghdad Pact. Recently, however, it seems that the Russians have become worried lest their support of the Arab nations in the Arab-Israeli dispute might lead to the outbreak of hostilities and that the hostilities might not be confined to the area. They do not wish to run the risks of provoking global war at this time, and they have therefore begun to talk seriously about a solution through the United Nations. The Molotov declaration of April 17 and the limited degree of Soviet cooperation in the Security Council are hopeful signs. The Russians are not going to drop their interest in an area which is of direct concern to them for strategic, economic and political reasons, but at least there is an identity of Soviet and Western interests in the Middle East to the extent that both sides want to avoid a renewal of Arab-Israeli conflict lest it lead to general war.

There are also some slightly encouraging signs in the European satellites. For military, political and economic reasons, Moscow almost certainly regards the maintenance of effective control over the European satellites, though not necessarily in its present form, as an essential element in its power position. The satellite régimes, though unpopular, are firmly entrenched, and there is little possibility at present that dissidence will lead to a reversal of the social system. Nevertheless, there has recently been evident a ferment in the area as a result of the Soviet rapprochement with Tito, the new Soviet line as laid down at the 20th Party Congress, and some pressures of a national and economic nature within the satellites. Moscow may now be willing to allow a greater degree of national independence to the satellites out of deference for Tito's demands and the new line on different roads to socialism. On the other hand, it is making new efforts to co-ordinate economic planning in the bloc as a whole in order to rationalize bloc production.

The Soviet approach toward the United Nations Organization has improved somewhat since Stalin's days. The Russians have taken a new interest in the specialized agencies, joining ILO and UNESCO for the first time and making some contribution to the UN Technical Assistance Programme. Starting with the General Assembly in 1955, the tone of Soviet statements at the United Nations has been considerably softened and is on the whole in marked contrast with the vituperations of Vishinsky's day. The Russians are less blatant in using the United Nations as a propaganda forum and have given some signs of wanting to use the United Nations for constructive purposes in spite of a penchant for bilateral negotiations.

The Soviet attitude toward the United States has also shown some improvement, though United States policy is still the main object of international attack. The Russians in the last few years have repeatedly expressed their desire for better relations with the United States and their admiration for President Eisenhower. They still attack many specific U.S. policies, castigate the "imperialist and reactionary forces" in the United States, and, despite protestations to the contrary, seem still to be bent on dividing the United States from its allies. Yet even this is an improvement over the wholesale denunciation of anything and everything American which was the key-note of the late Stalin era.

The new methods of conducting Soviet foreign policy, the new pragmatism, the new willingness to discuss problems with the West have all been characterized by the establishment of personal contact between important Soviet leaders and their opposite numbers in the West, thus ending the almost complete isolation of Stalin's days. This does not mean that their basic views have changed, but it is at least a relief, and a step forward, to be able to discuss problems with comparative frankness instead of communicating by means of propaganda broadsides. The propaganda itself and statements by its leaders have on the whole been much less aggressive, less vituperative since Stalin's death. Though there are still some very jarring notes, such as Khrushchev's statements during his South Asian tour, the Russians seem to be learning that extravagant propaganda tirades are not conducive to the solution of East-West problems and that they also tend to alienate the more thoughtful statesmen of the neutral countries.

In general, the West can welcome all these developments. If we look at them as a whole, certain general conclusions can be drawn.

(a) Right after the death of Stalin, the Soviet Union set about remedying situations which held the danger of leading to global war. This process has continued, and we can expect that it will continue as long as relative strengths are such that global war would be mutually annihilative. The avoidance of war is the key issue, and we are therefore in a much better position than we were in March 1953.

(b) The development of the H-bomb and the carrier are of central significance in assessing the reasons for the new Soviet tactics.

(c) With the possible exception of the Indo-China settlement and, although it is still too soon to say, the discussion of Middle East problems, no major concessions have been made to the West as a result of negotiation, in the sense that the Soviet Union has not said to the West, "We shall abandon this position if you will abandon that position."

(d) Most of the welcome developments have either cost the Soviet Union little or have even increased the strength of the Soviet position. Some, in which reduction or withdrawal of troops are concerned, have been forced on the Soviet Union by changing strategic concepts and the tight labour situation.

(e) With the exception of the Geneva meeting on Far Eastern Affairs, the Arab-Israeli dispute, and "atoms for peace", bilateral negotiations, for which the Soviet Union seems to have a preference when it really wants to get things done, have yielded more positive results than multilateral negotiations.

Many outstanding points of difference remain now as they were at the time of Stalin's death:

(a) Refusal to recognize the legitimate desire of the Atlantic nations to band together in a defensive alliance before the threat of Soviet territorial aggrandizement.

(b) Refusal to recognize the legitimate interest of the U.S.A. and Canada in the Western European scene, economically and militarily.

(c) Refusal to consider the reunification of Germany under conditions which would leave it free to align itself with either West or East.

(d) Refusal to accept the key consideration in disarmament viz., an effective system of inspection and control.

(e) Refusal to discuss the position of the satellites and of the international communist movement.

We can, if we put ourselves inside the Soviet mind, see *why* they have refused to make any substantial concessions on these vital issues, but the fact of their refusal remains.

Recognizing that there are still major outstanding issues, we should not forget that there has been in the last three years, for whatever the reasons, not only a marked change in the method of conducting Soviet foreign policy but also a whole series of foreign policy developments which are, in themselves, welcome to the West. The great advantage of the new methods is that they offer some opportunity of having discussions with the Soviet leaders; and it is surely not naïve to hope that, as there have been some positive developments which are welcome to us, there may be more and that we, by our actions and policies, can encourage or discourage them.

George Kennan pointed out in 1952 in Moscow that diplomacy had been completely discarded by the Russians. There was no attempt to use their diplomats for any traditional purpose whatsoever, and practically all other contact had been severed with the outside world. The result was that there was little chance of avoiding a direct clash since the margin for error was almost nil. This danger has now been mitigated and it is surely a considerable improvement to be able to deal with the Russians in a way which permits the use of those traditional methods in which the Western powers are supposed to be skilled.

[R.A.D. FORD]

543. PCO/U-15

Note du secrétaire d'État aux Affaires extérieures pour le premier ministre

Memorandum from Secretary of State for External Affairs to Prime Minister

CONFIDENTIAL [Ottawa], October 26, 1956

SOVIET DOMESTIC POLICY SINCE STALIN

Since the death of Stalin there have been a number of important developments within the U.S.S.R. which together point in the direction of very sweeping changes in Soviet domestic policy.

2. The shape and ends of Soviet society remain unaltered; all the new departures since Stalin have been meliorative. But, together, these constitute a radical change in the function of Soviet society for the better. In due course, if this trend continues, as I think it probably will, this will have an important effect on the relations of the U.S.S.R. with the outside world. A more "normal" Russia will be at the same time an easier power to deal with, and a more difficult one in that its approach to international events will be more skilful and flexible.

3. The attached paper prepared in the Department was written before the recent developments in Poland and Hungary. It is, nevertheless, of considerable relevance in explaining some of the Soviet background to the decision to adopt a "softer" line towards the satellites. Whether the Soviet leaders will be frightened by these events into reversing their policies remains to be seen, though I believe they have gone too far down this road in internal policies to revert to full Stalinism.

L.B. PEARSON

[PIÈCE JOINTE/ENCLOSURE]

Note du chef de la Direction européenne

Memorandum by Head, European Division

CONFIDENTIAL [Ottawa], October 11, 1956

SOVIET DOMESTIC POLICY SINCE STALIN

Since the death of Stalin, there have been a number of important developments inside the USSR which taken together point in the direction of very sweeping changes in Soviet domestic policy. This memorandum attempts to survey and to assess this new situation.

Summary

There can be little doubt that collective leadership has replaced the dictatorship of one man. If there is a contest for supremacy it is as much a struggle of ideas and policies as it is of personalities. The collectivity principle has, as yet, not extended much lower than the top echelons of the Party.

The Government itself has been extensively reorganized, streamlined, and to a certain extent decentralized to adapt itself to new security, labour, social and investment policies.

The effort to lend an appearance of greater vitality to the Supreme Soviet is less promising for any progress toward a more democratic legislature than is the attention being given to the proper function of the local Soviets.

Economic policy is directed to a more rapid correction of an admittedly grave imbalance between consumers' and producers' goods; important innovations have been necessary to cope with a shortage of manpower, and the most liberal labour policy in about twenty years is designed to raise productivity. A supreme effort is being made to solve the serious agricultural problems, with as yet uncertain results.

Security policy has been relaxed in several respects, a most significant effort has been quietly made to end the terror, and the first steps towards "socialist legality", if limited, are encouraging.

In defence, while pushing toward nuclear parity with the West, the régime has adhered to its conservative policy of building up and modernizing the conventional forces. Effective cuts enforced by economic difficulties have been confined to personnel, although there may have been some slight retrenchment in research and development.

The régime has fostered at least the appearance of a more liberal policy toward the minorities and of some concessions to religious belief.

Those aspects of ideology with the most pressing implications for domestic policy have been drastically altered. In education, the emphasis has fallen on still broader opportunity and a larger and more immediate contribution to the labour force. In the arts, the dilemma of creative freedom versus ideological prostitution remains, but there have been developments surprisingly critical of the régime.

The shape and ends of Soviet society remain unaltered, but the function of the mechanism has changed for the better. Collective leadership reflects, among other things, the survival of an inchoate desire for a broader system of government. The régime has been forced to pay more attention to the consumer, and has discovered the utility of law, of a relaxation of excessive controls. Recent years have revealed how far Stalin himself was under pressure before his death to accept these changes. The fact that Soviet policy has begun to lower its sights from the impossible to the possible must be recognized and encouraged.

The Leadership

The dominant position of Stalin as Secretary-General of the CPSU and as Chairman of the Council of Ministers has not yet been occupied by a single successor. In fact, the former post has apparently been allowed to lapse about six months prior to his death, leaving the position of the senior member of the Secretariat as the premier Party appointment. For a short time, Malenkov held the latter post as well as the Chairmanship of the Council of Ministers; but, a fortnight after Stalin's passing, he relinquished the Party post to Khrushchev, who has held it ever since. Some two years later, on February 8, 1955, he resigned the Chairmanship of the Council of Ministers to Bulganin, who remains the present incumbent.

Since Stalin's death, the Party and the Government have repeatedly claimed a return to "collective leadership". In addition to the sharing of Stalin's most important appointments between two personalities, all of the available evidence (which has been examined in a separate memorandum†) supports this claim. There is, of course, no question of the existence of collective leadership within the executive or legislative; supreme power explicitly continues to reside in the Party. Within the latter, "collective leadership" officially means the leadership of the Central Committee, but it is by no means clear that this is yet functioning as a proper forum, and it seems unlikely that collective leadership yet extends beyond its Praesidium, though there are indications that the Central Committee is playing a more important role than in the past.

In this situation, it is clear that Khrushchev is the dominant personality. But he has been at pains to dissociate himself with some of the external symbols of Stalin's personal power. As for the real sources of that power, it is unlikely on the one hand that he can yet exploit the services of the secret police; on the other hand, he probably enjoys the personal loyalty of most of the Party *apparat*. It is possible that he may one day feel compelled to use this to enforce a personal supremacy; but there is no evidence that he is yet in a position to do so, nor, indeed, that he covets the autocratic position held by Stalin.

The contest for supremacy, while partly a struggle of individuals, is probably also a contest of ideas. While we can only speculate as to the questions around which factions may be grouped, it seems clear that some at least are: the division of the limited resources of the USSR; military policy; foreign policy (Tito, and the satellites); de-Stalinization; and the role of the Party and the Government. With regard to the latter, for example, there was an obvious attempt after Stalin's death to assert the supremacy of the Government over the Party. But with the rise of the influence of Khrushchev there was a quick reversal of this policy which made it abundantly clear that the Party took precedence. Presumably Malenkov, and others of his type in the hierarchy, still consider the duplication of Party and Government officialdom as wasteful.

The Party

In February 1956, at the XX Congress of the CPSU, a special Bureau was created to supervise Party affairs throughout the RSFSR, the first of its kind since the formation of the USSR in 1924. With these exceptions, the organizational structure of the Party has not been changed since Stalin's death, and remains as it was ordained at the XIX Party Congress in October of 1952. But the size of the central organs (the Central Committee, its Praesidium and the Secretariat) has been radically altered. The speed and smoothness with which the change-over was made within twenty-four hours of Stalin's death tends to support Malenkov's later claim to the Supreme Soviet that a consolidation of the leadership had been agreed upon (presumably by Stalin's successors) while Stalin was yet alive. The Praesidium and the Secretariat, unaccountably expanded at the XIX Congress, were reduced to something like their former size. Since March 1953, the Praesidium has increased by only one full and two candidate members, and the Secretariat has grown from five to eight. Similarly, the number of Party secretaries in the Ukrainian, Georgian and Turkmen organizations was slightly raised in 1954. At a lower level, the political sections in the Machine Tractor Stations have been abolished and Khrushchev has condemned the uselessness of these sections in industry. In the Armed Forces, the authority of the commanding officer has been emphasized, at the expense of the Party indoctrination apparatus. In 1956, it has been announced that the Party *apparat* is to be reduced by 20-30%.

In striking contrast with the relatively stable organization of the Party, its personnel have been subject to frequent and extensive change. In 1956, about half of the Central Committee elected under Stalin were replaced. Many of those dropped appeared to be followers of Malenkov, and the bulk of the newcomers seem to be supporters of Khrushchev. Five of the seven Secretaries who assist Khrushchev have been appointed since his rise to power; and four of them, along with himself, are members of the Praesidium. Throughout the past three years, a very large number of changes have been made throughout the lower levels of the Party hierarchy, notably in the non-Russian border Republics. The turn-over has been especially marked in Georgia, where the purge lasted into 1954 and, in the course of some seventeen months, about 3000 members were expelled.

The Party has continued to expand at a rate about equal to that of the growth in population, and has reached a record of over seven millions. Growth in the RSFSR has been clearly below the national average (hence the new Bureau), and has been unsatisfactory in the rural areas. Although most of the membership is probably still drawn from the privileged strata of Soviet society, the educational level remains low (more than 60% have not completed secondary school), although probably higher than that for the population as a whole. The proportion of female membership has increased, but the rise is not yet sufficient to reflect a major change in policy.

Particularly since the fall of Malenkov, the Party has emphasized its control over the whole of Soviet life. Since Pospelov's address in January 1954, it has made increasingly frequent reference to the pursuit of the policies of Lenin. By contrast, public allusion to Stalin and his policies began to cease within a few weeks of his end, and this tendency culminated in Khrushchev's violent denunciation of his personality and methods at the close of the Party Congress in February 1956. It should be noted, in passing, that the denunciation by Khrushchev followed a bold indictment by Mikoyan, and that the latter had drawn an enthusiastic response from his Congress audience. But, apart from this, a precise and formal Party programme, integrating all the changes of the past three years, has not appeared. In February last, it was announced that the publication of such a programme, which had been ordered four years ago, would be delayed pending the completion of long-term economic plans.

The Government

The Government has continued to show the extraordinary dynamism which characterized its structure during the 'thirties and 'forties. The whole machinery of state was drastically streamlined when Stalin died, but, within months, there began a gradual process of expansion which has continued up to the present.

Both of these trends were naturally reflected in the Council of Ministers. In March 1953, the ministerial membership was reduced from 71 to 29. Within less than two years, additional appointments were made at the level of First Deputy and Deputy Chairman. The concomitant expansion of the number of Ministries and of other agencies has yielded a Council of Ministers of about 60 members, with a controlling group of fourteen (Chairman, five First Deputy Chairmen, and eight Deputy Chairmen).

A number of factors have caused the frequent re-organization of the ministerial structure. In the past, the need for greater co-ordination has often led to mergers at the top, and the contrary need for closer contact between the administration and the enterprise has, in turn, caused the split-up of the top structure. The tension between these two needs, which has long characterized the Soviet public service, has remained unresolved under Stalin's successors. By April 1954, Khrushchev was again calling for the division of several ministries, particularly those concerned with the economy. The number of the latter had risen from 18 in 1953 to 42 by 1955. The effort to reduce the power of the security organs led to their re-organization. At first, the MVD and the MGB were merged. Then the responsibilities of the MVD were curtailed and some of these transferred to the Ministry of Justice. The territories in the Khabarovsk Kray which had been anomalously administered by the MVD were incorporated into the new Magadan Oblast'. Finally, the MGB was reduced to a Committee (KGB) attached to the Council of Ministers. By September of 1953, the problem of raising the standard of living had compelled the re-organization of the Ministries dealing with the production and distribution of mass consumption goods. The need to decentralize some of the authority which, under Stalin, had been concentrated in Moscow, led to the redesignation of a number of "All-Union" Ministries as "Union-Republican" Ministries in 1954 and again in 1956. This process entailed the creation of new ministries in some cases at republican level. Again, the need for decentralization, together with the need to separate current from long-term planning, has forced the Government to revamp the planning machinery. Immediately after Stalin's death, the State Planning Committee re-absorbed the procurement functions which had been taken from it in 1948. The planning process was greatly simplified, especially in agriculture, the responsibilities of the ministries for detail were increased, and the *Gosplan* was directed to confine itself to the larger structure of the plan. Finally, in early 1955, the *Gosplan* was split into two organs, one to deal with current planning, the other with long-term projections. As the administrative and planning structure again assumed some of its former complexity, new problems called for special extra-ministerial co-ordinating machinery. In May of 1955, State Committees were set up on the Introduction of New Technology and on Questions of Labour and Wages. Sometime prior to the middle of that year, the foreign trade offensive compelled the creation of a Chief Directorate on Foreign Economic Relations, which appears to answer to the Council of Ministers rather than to the Ministry of Foreign Trade. Similarly, during the same year, the drive to develop atomic sources of power led to the establishment of a Chief Directorate for the Peaceful Uses of Atomic Energy.

One of the most important developments of the period, and one which attracted little attention outside the Soviet Union, has been taking place since 1954. This is a major reduction of the grossly inflated Stalinist bureaucracy. About 6000 superfluous and overlapping government offices, extending over all levels of the civil service, have been abolished, and their work divided between a much reduced establishment. In 1956, the Karelo-Finnish SSR was reduced to an ASSR, and the total number of rural soviets cut by nearly 25,000. This attempt at rationalization is easily the biggest in Soviet history.

The re-organization of the Government has been accompanied by a number of important changes in personnel due to deaths, purges, transfers and dismissals. Beriya was allegedly executed in December 1953. Kruglov, who headed the MVD under his supervision, survived his fall until 1956, when he was replaced by Duderov. His previous subordinate, Lieutenant-General Serov, was named to the new KGB and later elevated to Cabinet rank. Rudenko, who had been Chief Soviet Prosecutor at Nürnberg, was named Procurator-General in June 1953, and it was he who handled the indictment of Beriya. Vyshinsky died in November, 1954. Malenkov resigned his post as Chairman of the Council of Ministers in February 1955, to assume the portfolio of Electric Power Stations. Bulganin was replaced at the Defence Ministry by Zhukov. Kosyachenko, who lost his job on the editorial board of *Planovoye Khozyaystvo* when Voznesenskiy fell in 1948, was put in charge of the re-organized *Gosplan* in 1953. He was later succeeded by Saburov and Baybakov, when this body was split in 1955. Mikhaylov replaced Aleksandrov as Minister of Culture in the same year, amid rumours of scandal and possible indictment. In January of 1956, Mikoyan resigned the Ministry of Domestic Trade to Pavlov and Ryzhkov replaced Kosygin at the Ministry of Industrial Consumers Goods. In the following June, prior to the Tito visit, Molotov was succeeded at the Foreign Ministry by Shepilov, the former editor of *Pravda*. Kaganovich later gave up the Committee on Wages to Volkov, and in 1956, assumed the important portfolio of the Building Materials Industry.

The most extensive changes have taken place at the lower levels of the administration. Throughout 1953 and 1954, the governments of nearly all the republics were subjected to a marked turnover, especially that of Georgia. The process began with the MVD and the MGB, and many appointments newly made after Stalin's death were again changed after the fall of Beriya. Under Malenkov's régime, the changes continued, extending through many branches of the administration.

The Legislature

After Stalin's death, Voroshilov immediately replaced Shvernik as Chairman of the Praesidium of the Supreme Soviet. Since then, there has been some effort to instil a greater appearance of vitality into the functions of this body. It may be that in respect to the democratization of the political process, Malenkov wished to go faster than Khrushchev: whereas Khrushchev has explained his policy at Party meetings, Malenkov proclaimed his "new course" before the Supreme Soviet. When this body, the fourth to be elected since its inception in 1936, assembled in 1954, the latter duly resigned. Some of the commissions which had been inactive under Stalin have resumed their function. Thus the 1956 Budget was considered by the Budgetary Commission before it was tabled at a plenary session of both chambers. In July 1956, the Third Session of the present Convocation was marked by dim suggestions of debate on the new pensions law.

The official purpose for the elaborate and expensive facade of soviets remains a device for education of the masses to the democratic process; and the authorities have shown something resembling sincerity and realism in concentrating their major effort during the past three years on the local soviets. It has been announced that the right of recall is to be enforced against inefficient deputies. The executive committees are being urged to make more frequent reports to their soviets and the practice which has led to the position where more than 10% of the chairmen, vice-chairmen and secretaries of the executives are not chosen from among elected deputies has been castigated. There has also been a very large reduction of the machinery of local government. The total number of rural soviets, which reached a peak of 74,863 in 1950, was cut to 50,516 by 1956, as part of the house-cleaning of the bureaucracy.

The Economy

The new Government first revealed its assessment of the economic problems with which it was confronted when Malenkov spoke to the Supreme Soviet on August 8, 1953. This speech was a more frank appraisal of its difficulties than anything since Lenin's day. The policy proclaimed constituted a radical departure from that of the previous twenty-five years, in that it gave new weight to the needs of the consumer. Yet the Government was extremely cautious about propagandizing the significance of the change, and it was left to Voroshilov in the following November, anti-climactically, to recognize "a new stage in the development of the Soviet economy" after East Germany had already hailed a "New Course". When Khrushchev and Bulganin returned from China in 1954, Western attention was diverted by the former's proclamation of continued priority for heavy industry, and the fall of Malenkov in the following January was popularly taken to represent a split on that issue. Khrushchev later intimated to a foreign diplomat that, under Malenkov, they had tried to switch the emphasis to consumer goods too fast and that some retrenchment had proven necessary. This implied some modification of long-term priorities, rather than a complete abandonment of the "New Course". The Sixth Five Year Plan, announced in December 1955, clearly reflected such a change. While the rate of industrial growth is to continue to rise — and it is to be noted that the 1960 targets for the main industrial items are well above those set by Stalin in 1946 — it is to do so less sharply than in previous years, due to a more liberal labour policy and to increased emphasis on housing and agriculture. Unrealistically high rates of growth are posited in the latter field, but consumer income and consumption are clearly intended to rise more rapidly, and the economic perspectives outlined at the XX Congress in early 1956 were largely oriented in this direction.

Finally, the Stalinist *dictum* that consumer demand must always exceed supply in a socialist economy has been formally abandoned.

It is in the detailed developments of the past three years, rather than in published generalities on policy, that the real gravity of the situation and the real impact of the changes emerge most clearly.

The new Government at once turned its attention to agriculture, which is the key to the supply of the most vital mass consumer goods, and this branch has absorbed much of its energy ever since. First, farm taxes were reduced and procurement prices were raised, in order to stimulate production. In 1953, these measures were aimed primarily at labour-intensive processes (livestock products, fruits, vegetables), i.e., at those items which were in short supply and which were derived to a great extent from the private sector. The Government tried by fiscal manipulations to make the farmer more "market-conscious" and to reduce some of the old discriminations against his private plot. In 1954, it was the turn of the collective sector: planning was simplified, credit was expanded, prices were reduced to quicken the flow of equipment to the farms, the relations between the collectives and the machine tractor stations were altered to raise profits, and an effort was made to put both collective and state farms on a paying basis. In 1955, greater attention was paid to the supply of social capital in the countryside and new construction in urban areas appears to have been somewhat checked. The team (rather than the brigade) system of cultivation was restored to stimulate individual initiative. All of these measures were consistent with the emphasis in the Fifth Five Year Plan on the intensive development of agriculture. In 1954, with the decision to sow 30 million hectares of marginal land in Central Asia and Siberia, the emphasis swung to extensive development, in a search for quick results. At the XX Party Congress, Mikoyan sharply condemned attempts to hasten the "transition to Communism", as Stalin had prescribed, by instituting the direct exchange of goods between the factories and the collectives, as this would interfere with rational cost calculation. It seems that the Soviet economists are indeed moving from "cost accounting" to the notion of "scarcity" which for so long has been absent from their thinking. The order published after the XX Party Congress in 1956, to make cash advances to collective farmers, much resembles a step toward the transformation of these into wage labourers.

Initially, the supply of consumer goods was expanded by depleting stocks and possibly state reserves. In view of the traditional priority of industry, the supply of consumer durables increased more rapidly than that of non-durables. Malenkov was explicitly ordered to ensure the steady supply of electricity to light industry. The considerable effort to expand the fisheries industry, which supplies the bulk of the protein in the Soviet diet, was continued, and led to drastic measures to check Japanese inroads in Pacific sources of supply in March of 1956. Since 1953, consumer raw materials have figured more prominently in imports, particularly in those derived from the recent trade offensive in the underdeveloped areas. In October of that year, Mikoyan ordered a new retail policy, a more accommodating attitude toward the customer. Investments were increased to modernize retail and catering machinery and attention was given to those aspects of the transport system which had impeded distribution. In 1956, the exchange of faulty goods was facilitated.

The price cuts, which had been an annual feature since 1950, were greater in 1953 than in any previous year, declined in 1954 and ended in 1955. The state loan, cut in half when Stalin died, has since resumed its former size. While there has been an obvious increase in purchasing power and in consumption, the last Party Congress was forced to admit the existence of an inflationary situation.

No census of the population has been taken since 1939, and it appears that the Government never began to realize the demographic situation with which it was confronted, until about the time of Stalin's death, when its attention was forcibly directed to manpower and food. During this period, the Government finally felt it necessary to release significant numbers of former Axis prisoners of war. At the same time, the age-classes annually becoming available to the economy were reduced in size, due to their origin in the years of collectivization, when the birth-rate had fallen. At the same time, the conference of construction workers revealed the need for 300,000-500,000 men to man the new developments in the East and North. In 1954, 120,000 had to be found for the farms, and it was calculated that the marginal lands would entail the shift of 3,000,000 people. Towards the end of the Fifth Five Year Plan, it became clear that about one third of the growth in industrial output had been due to an unplanned expansion of the labour force, rather than to increased productivity. The Government was clearly faced with an inadequate supply of labour; it also failed to secure the voluntary mobility necessary to replace forced labour which had been released from remote regions by the amnesty of 1953. In these circumstances, some demobilization took place quietly in 1954 and further cuts totalling 1,840,000 men were announced in 1954 and 1955. The rationalization of the bureaucracy yielded about 700,000 people for productive employment and the very recent cuts in the Party *apparat* should make a further contribution. Against this background, it is barely possible that the campaign for a return to the homeland has not been entirely motivated by the standing disgrace of a hostile emigré element abroad. In January 1955, Khrushchev openly advocated a pro-natalist policy, and, at the Party Congress of last February, the administration began to prepare its people for the shocking revelation that the population totalled only about 200 millions. This was the approximate level of the population within the present boundaries in 1941, and implied a total demographic loss in the last war of about 40 million people.

These circumstances explain the series of measures adopted to stimulate an increase in productivity which together make up the most liberal labour policy since 1938. These range from the usual exhortation at special conferences of Komsomols, construction workers and industrial management through the creation of new state committees to overhaul wages and to co-ordinate technological improvements, to immediate and material incentives. Management has been given greater responsibility in planning, and the discouraging differential between top and middle salary brackets, and between academic and industrial wages has been reduced. Since 1954, stakhanovism has been pointedly ignored. The role of the trade unions in the conclusion of collective agreements has been partially restored. The working week has been shortened, and further reductions are contemplated. Maternity leave has been increased, criminal liability for certain common infractions of labour discipline has been abolished, and a more liberal pensions law has been adopted. Cuts in the price structure and the remission of rural taxes must also have had their effect in this respect. Finally, a recent decree, establishing a minimum wage for the first time in Soviet history, should bring substantial benefits to millions in the lower wage brackets.

As a measure leading to greater efficiency, the railways have begun a long-term programme of dieselization and electrification. The construction of major pipelines has begun, for the first time, and expansion of the merchant fleet is under way. The production of electric power from atomic fuel began in June 1954.

National Security and Law

The restrictions on access to official data which were previously regarded as sensitive have been considerably reduced and more are now available to the Soviet people and to the

West. As noted above, the stenographic reports of the sessions of the Party's Central Committee are receiving a wider distribution. Since 1954, the government has released a growing body of information on its research activity in the Central Arctic Basin. The Sixth Five Year Plan was more informative than any of its post-war predecessors. It is to be presumed that access to MVD archival materials must be enlarged, if history is to be re-written, and one provincial official of that Ministry has called for this. The provincial press now contains frank reports on cases affecting public safety and adolescent hooliganism. In June 1956, the Government released a statistical manual, the contents of which go beyond anything published since the 'thirties. The location of certain minorities deported during the war has been revealed.

The new régime has shown itself more prepared to permit its people to make contact with the outside world. In June 1953, restrictions imposed in 1948 and 1952 on the movement of diplomats were reduced. The decree prohibiting marriages with foreigners was revoked in December of that year. A very large number of official delegations have been sent abroad and received within the USSR, and tourism in both directions has received some encouragement. In 1955, Soviet radio "hams" again began calling their American counterparts and the jamming of BBC broadcasts was stopped in the following spring. Recent visitors nearly all testify to a greater ease on the part of the Soviet people in their association with foreigners. Some exit and emigrant visas have been granted.

The Government has made a very obvious effort to reduce the air of tense belligerence which had been associated with its reaction to alien penetration and subversion. Except in the military press, the campaign for vigilance against foreign machinations died out about two months after Stalin's death. Moscow confined its reaction to the American balloon campaign to notes and aircraft which later intruded in Soviet "air space" have not been intercepted. The control of territorial waters has become somewhat more lenient.

At the funeral of Stalin, none other than Beriya himself announced a return to "socialist legality" and the régime has repeatedly protested adherence to this principle. The illegality of the Stalinist régime was most spectacularly evident in the operations of the MVD and MGB. The old order, in popular parlance, is the "Beriya régime", rather than the "Stalin" régime. But the present scene reflects not only a general revision of the policy for the prosecution and suppression of political opposition but a basic recognition of the utility of justice in all aspects of public order. The "doctors' plot", which lent to the closing weeks of Stalin's life an atmosphere of the *Grand Guignol*, was quashed immediately after his death. Large numbers of those detained in correctional labour were amnestied, criminal responsibility for certain acts was eliminated and lightened for others, and the régime in the camps was humanized. In the same year, the Special Department of the MVD, the instrument of administrative sentence, was abolished. The responsibilities of the national security organs were reduced and their operations were placed under the scrutiny of the Procurator-General and the Supreme Soviet. Military tribunals were set up to review sentences and large numbers have been rehabilitated. In September 1955, an amnesty was proclaimed for all collaborators in exile. In 1956, a visiting French Socialist delegation was told by an MVD official that all internment camps would be abolished within a year or eighteen months, and that, in future, convicts would be committed to ordinary prisons or to corrective labour colonies with factories attached to them. Finally, the XX Party Congress in February 1956 was notably silent about the old theme of vigilance against the vestiges of internal class enemies.

It is reported that the redrafting of the Criminal Code and of the Code of Criminal Procedure, promised in March 1953, is nearing completion, and that the changes will reveal a general humanization of the law. Soviet jurists have stated that Article 58, which defines counter-revolutionary crimes, is to be amended. Certain definitions may be tightened, the word "counter-revolutionary" may be dropped, and the abolition of the provision for trial in absentia and without counsel in cases of espionage is contemplated. Since November 1953, the restrictions on abortions in medical establishments and criminal responsibility for consent to these have been dropped, a reflection of extreme social hardship in a country which now calls for more families of even three children. It is also reported that it is the intention to drop Article 16, which enshrines the infamous doctrine of analogy — that sentence may be inflicted for an act which has not been declared a crime by law. Vyshinsky's doctrine on evidence has been rejected: confessions no longer justify conviction and the use of torture and compulsion has been prohibited. Meanwhile, immorality and crime has been subjected to vigorous attack in the press, and the death penalty was restored to the Criminal Code in the spring of 1954.

Defence

The most significant developments of the period in defence policy were the achievement of a thermonuclear reaction in 1953, together with the start of serial production of jet aircraft of inter-continental range, and the reduction of conventional forces. Regular testing of nuclear weapons has continued. The Government at first proclaimed that a nuclear war would lead to the destruction of civilization; its later theme, for obvious domestic reasons, has been confined to the end of capitalism. Nevertheless, throughout 1954, virtually the whole High Command was used in a press campaign to inform public opinion of the importance of surprise in modern war, and thereby to alter the Stalinist doctrine on the ultimate importance of a large heavy industry, high national morale, and huge standing forces. At the same time, civil defence preparations were quickened and the Government's defensive interest in the Arctic increased. Voroshilov admitted the influence of strategic considerations in the eastward dispersal of industry.

The institution of the new régime was followed by a shuffle in the regional commands of the armed forces and a considerable number of new promotions to the rank of marshal were made. For the first time, a professional soldier has been admitted to the centre of policy formation, in Zhukov's election as a candidate member of the Party Praesidium. Party controls within the armed forces appear to have been somewhat re-organized.

The modernization of the armed forces has continued, and new artillery and transport and a new medium tank have been introduced. But, after some obvious vacillation, the decision was taken in 1954 to reduce the personnel strength of the armed forces. Several senior Soviet scientists have stated that they have ceased to work on defence projects. The overt defence budget declined in 1954, rose again in 1955, and has been more or less stabilized at the level of that year. It would appear that the rate of increase in arms production is now less than that of the past five years, and that the reduction in operating costs accomplished by demobilization has been partially absorbed in the procurement of new and more expensive end items.

Minorities

Six months before Stalin died, Beriya was much concerned about Soviet minorities policy at the XIX Party Congress. Malenkov also reflected this in his funeral speech and again in the Supreme Soviet in the following August. The new Government at once began to promote the appearance at any rate of giving a more important role to the lesser nationalities. Bagirov was the first Turcic Moslem to be appointed to the Party Praesidium (1953). Hostilities on the ideological front between the "bourgeois nationalists" of the non-Russian republics and the "Russian chauvinists" of the central government abruptly ceased. The situation was complicated, particularly in the Caucasus, by factions within the minorities themselves, and the position of Beriya, whose indictment suggested that he had favoured too liberal a nationalities policy, remains obscure. But almost all the republics were subjected to purges which extended over much of the past three years, and many zealous inquisitors disappeared, including Bagirov (Azerbaydzhan), Melnikov (Ukraine) and Mgeladze (Georgia). At the XX Party Congress, Mukhitdinov, believed to be an Uzbek, was made a candidate member of the Party Praesidium. This is the first appointment of a Central Asiatic to the organ controlling policy. The later denunciation of Stalin for his repression of the minorities and the publication of Lenin's papers on the nationalities question suggests that the present régime is trying to revert to the more liberal policy of early Soviet history.

In 1954, the tercentennial of the "union" of the Ukraine with Russia was elaborately celebrated, and Kaganovich, who was associated with Stalin's policy for the Ukraine, was noticeably absent. At the same time, the Crimean Autonomous Republic was removed from the RSFSR, and, in a belated recognition of the logic of geography, was given to the Ukrainian Republic. The novel reversion in 1956 of the Karelo-Finnish Republic to the status of an autonomous republic within the RSFSR reflects a refreshing willingness to face the facts of its poverty and predominantly Russian character, though it may also relate to a desire for good relations with Finland.

The real situation of the Jews remains obscure. The Government sought to signal the end of the anti-semitic persecution of Stalin's last four years in quashing the "doctors' plot", and it charged the MGB with "inflaming nationalities". The official line still maintains that anti-semitism is contrary to communist ideology and *VoprosyIstorii* attacked this as recently as April of this year. The French Socialist delegation to the USSR reported a few months ago that the Government explains the absence of Jewish cultural facilities as due to the lack of demand. But a later delegation of American rabbis has stated that the Government has sought deliberately to destroy Jewish culture. Anti-semitism has been attributed to such leaders as Khrushchev, Suslov and Furtseva.

Religion and Intellectual Life

In the year following Stalin's death, there were signs of a slight religious revival. Malenkov received the Patriarch, a number of churches were re-opened, and anti-religious propaganda was relatively temperate. In late 1954, a decree was adopted banning restrictions on religious propaganda. New contacts have been permitted with religious bodies outside Russia, as for example the exchange of visits between the Orthodox Church and the United Church of Canada. At least one synagogue appears to be functioning in each of the larger cities, the Moslem mosque in Leningrad was re-opened, and the birth of Buddha was allegedly celebrated by his followers in 1956. The Bible Society states that the printing of the Bible has been resumed. Attempts have been made to establish ecclesiastical links with foreign Orthodox and Protestant denominations, at least one classical painting of a religious subject has been shown and Ehrenburg feels free to quote *Ecclesiastes*.

While the basic *Weltanschauung* of the Party ideology has not altered in the slightest, there have been some remarkable changes in those ramifications of Party doctrine which have the most pressing implications for policy, particularly domestic. The inevitability of war with capitalism has yielded pride of place to the possibility of peaceful co-existence. Nothing more is heard of Stalin's linguistic doctrine on the superiority of Russian over the national languages; and his iron law of consumer supply and demand has been formally jettisoned. Of greater interest is the retreat from total environmental determinism which had been enthroned four years before Stalin's death in the revival of the Pavlov school of psychology. In biology, this retreat began in 1954, when Lysenko was toppled from his throne; although he has been re-instated at a lower rank, his Michurinist doctrine of the deliberate transformation of biological forms seems no longer to be unassailable orthodoxy. The neo-Pavlovians, who sought to apply the same principle to the creation of a new Soviet man, have also been attacked. The official philosophical journal and even *Party Life* have carried this new principle down to concrete reality. The former has criticized the Stalinist over-valuation of the power of propaganda; the latter has explicitly pronounced the impossibility of creating men of integrity through the external controls of legal prohibition and constant homiletics. It would also seem that the Party has tried to keep its interference with the sciences short of the ludicrous.

Whereas the XIX Party Congress still called for universal seven-year schooling, the new goal is for ten-year schools throughout the land. The emphasis has swung back to "polytechnical" training, to increase the practical capabilities of students at graduation. Since 1954, greater attention has been paid to the needs of rural schools. New and superior curricula were introduced into the universities, and co-education was restored in 1955. To increase the supply of teachers, the Government has decided to draft a number of students each year to the teaching profession. The exceptionally heavy burden of homework and examinations has been reduced. In early 1956, the fees for the last two years of school and for higher institutions of learning were eliminated. Khrushchev has contemplated the creation of special private schools for exceptional students. A new Ministry of Higher Education has been formed.

Research has taken some interesting new directions. The physical sciences remain supreme, but greater emphasis on pure rather than applied science has been called for. The Government has encouraged freer intercourse between its *savants* and their foreign colleagues. In the social sciences, a notable development is the new interest in the study of the capitalist system and the upsurge in oriental studies. Following the decision to rewrite the early history of the régime, some foreign historians, formerly proscribed, are now being cited, and some modest but genuine differences of historical interpretation are being debated in print.

In the arts, a clumsy effort has been made to introduce a new policy. In the autumn of 1954, the Second Congress of Writers was held, the first in twenty years. While the old criteria of socialist realism were firmly retained, the Congress called for greater flexibility and attention to the foreign market. No reference is now made to the restrictive "Zhdanov" decrees of 1946-8. Such works as Korneychuk's Wings, suggested perhaps an even greater frankness and freedom for experiment than the directives of the Congress had implied, and followed the hints made much earlier by Ehrenburg in his Thaw (1952). Many of the "cosmopolitan" writers who disappeared in the late 'forties are back at work. Yesenin's poems were republished in 1955 and even Pasternak returned to print. By 1954, intellectuals in Moscow were talking of a "Right" and of a "Left". In 1956, Simonov rebuffed the earlier attacks on Fadeyev's *Young Guard*, who had meanwhile been driven to end his life. Pasternak has been allowed to publish a poem satirizing "socialist realism". The composers have spoken out against their Stalinist critics and the people have given extravagant patronage to Western dance music. Paintings showing impressionist influence are again exhibited. There is no sign, in general, that there is likely to be a reversal of policy, and with the rapid, and indeed at times even bold, advances in the direction of liberalism in the arts, the intelligentsia are likely to take the lead eventually in keeping up the pressure for a return to more normal conditions of work, and exchanges of ideas not only among themselves but with Western writers, artists and composers.

Conclusion

The many changes in Soviet life during the past three years have all been meliorative; but where no practical need for change has seemed to exist, the Soviet state has continued to evolve along the lines prescribed nearly thirty years ago. Thus, throughout a period of innovation, the economy has continued to exhibit an annual rate of growth of about 5%, and a high rate of investment (ca 20%) has been maintained. The defensive potential of the country has been steadily augmented. To achieve weapons and carriers vital in modern war, the country has not found it necessary to gamble on a nuclear strategy alone, and has achieved the strength, despite extensive demobilization, to retain very large conventional forces. If the relation of the individual to the state has begun to change, the human substance of Soviet society, the structure of its institutions, and its ethos, have not. The managerial casts has retained its dominance, and has grown in numbers and competence. At the same time its basically conservative interest in preserving and enlarging its rights and interests has certainly not diminished. The old sources and channels of power appear to have survived the passing of Stalin. Even the official formulae — the Constitution of 1936 and the Party Rules of 1939 — continue to enshrine the same old aspirations and the same misrepresentations of reality.

But the function of this mechanism has been drastically altered.

Collective leadership has replaced dictatorship. Of the two ultimate sources of Stalin's personal power, Khrushchev undoubtedly enjoys great influence over one, the Party *apparat*; but neither he nor any other yet seems to enjoy Stalin's unique relationship with the organs of the secret police. The reasons for this change themselves limit Khrushchev's accession to supreme power: the evident fear of another dictatorship on the part of the present leaders and of a growing and increasingly competent bureaucracy; the old Russian desire, real though relatively inchoate, for a broader system of government; and the acute practical problems of state on which three decades of history have thrown up conflicting opinion at critical levels. All of these are living forces in modern Soviet society. The substitution of collegiate rule for autocracy is a reversion to a form long understood in Russia and long since prescribed by the Party, but there is little evidence that the power of decision has been delegated beyond the Praesidium to the Central Committee. The change has been imposed by the top at the top, and is as limited as it is vital, though there is little doubt that it reflected an almost universal aspiration for a return to something closer to normalcy. It is characteristic of the problem of rule, as the Party leadership still sees this, that nothing serious has been done to enlarge the share of the Supreme Soviet in the governmental process; instead, and more realistically, the national energies are being stirred in this direction at the bottom of the hierarchy, in the local soviets.

The contest for supremacy between the government and Party officials may not yet have been finally decided. There are grounds for the suspicion that the present Soviet policy of sending large numbers of technicians to visit the outside world, — all of these are government officials, many of them are of ministerial or deputy-ministerial rank, and very many are interested in questions concerning consumer goods and welfare — is to be largely attributed to Mikoyan. Several developments suggest that relatively liberal tendencies are to be associated with his influence. Certainly he has been in the lead in advocating the adoption of many western capitalist techniques in such fields as marketing. This exposure of officialdom to external realities can only further the erosion of the Party's position. The decree of last July 2, which took up the response of foreign communists to the denunciation of Stalin, reflected collective drafting and by an open reference to a "Leninist core" in the Central Committee, implied the existence of two points of view, if not of factions.

At home, the basic ends of communist policy remain the same: the increase of national power, the further consolidation of socialism. But it has been recognized that in the pursuit of these ends, efficiency must overcome scarcity, and that greater attention must be paid to immediate material incentive and less to exhortation. The Soviet economy remains geared to steady and relatively rapid growth, but new agricultural and housing priorities, and the most liberal labour policy in about two decades mean that a larger proportion of the reward for co-operation to these ends is to be enjoyed by the present generation of consumers. To these ends, many of the changes which Stalin wrought in the functions of the government and of the Party during his last years, for quite contrary purposes, have been undone.

A less material but vastly more significant concession is entailed in the attempt to end the terror. This in its broadest aspect, entails a partial discovery of the sheer utility of law. There can be no doubt that the effort to enforce legality has already done more to improve the life of the individual than any modification of the Stalinist economic policy. But the survival of the basic notion of law as generated by the top centre must be recognized, and a striking change represents only a minuscule step toward the still very distant rule of law. Questions of constitutionality have still to show any sign of vitality. The letter of the Constitution which allowed a Stalin also allows legislative and judicial controls over the secret policy; yet, instead of elaborating an interpretation to this effect, the régime has typically resorted to administrative prescription, in decreeing the establishment of new offices to operate these controls. Soviet law may now be allowed to function, but it is far from supreme, coherent and cumulative.

Soviet life is still subjected to the old controls and sanctions; and no doctrine at variance with the official line is yet tolerated. But the new régime has admitted the excessive application of these under Stalin, and has enlarged the field of responsibility and information among its citizens. Implicit in this decision is considerable confidence in the cohesiveness of a maturing society. But this confidence has not been unmixed. There is an air of caution about the new dispensation which is instructive. In the hour of Stalin's death, the collective leadership appealed for order and the avoidance of panic. Perhaps the most important change, the end of the terror, has been singularly quiet. Public reference to the controls imposed on the operations of the security organs seems to have been confined to an "aside" published in a specialist journal more than a year after the event. The denunciation of Stalin was confined to a closed session of the Party elite at the end of the XX Congress, and the full text of this has never been published in the USSR, though, of course, it has been widely circulated in the Party and other leading circles. Perhaps equally striking is the fact that the totality of the new departures has never been officially propagandized as representing a radically new atmosphere, if not course, for Soviet life. In its monologue before the masses, the Government prefers to speak of the details of various aspects of its policies, much of its discourse is still oblique, and many references to new concessions are relatively unstressed notes in the larger psalm of aspiration. Behind this behaviour, there is a certain old Russian inability to generalize on social realities, and an almost Victorian reluctance to admit the unpleasantness of the past; but there is also real apprehension on the part of a paternalistic government, which is informed by the notion that it alone can assess the implications of its acts, lest the popular appetite grow *en mangeant*. The régime seems fully conscious of the risks which it has accepted in renouncing the myth of an internal enemy and in seeking a reconciliation with its own people.

In all of these changes, there is evidence of the pressure of the social forces in a growing and maturing society. That these should take place under a Khrushchev, who all his life has been a chosen Party instrument of Stalinism, and who now speaks for the supremacy of the Party suggests that Khrushchev is trying to preserve the ascendancy of the Party by adapting its methods to the realities of Russian life, by reconciling it with the living forces of Russian society. His larger purpose would seem to be to preserve the Party dictatorship, which, of course, is probably the aim of all the members of the hierarchy, though some may be less interested than others in preserving the Party dominance over all aspects of government activity.

The new régime has been largely obsessed with the practical problems of material life, and with what, in terms of economics, reduces to the question of productivity. It has not yet been forced to turn its full attention to the abiding dilemma of the Soviet intellectual world; the reconciliation of initiative, freedom and fertility in the world of the mind with the rigid maintenance of orthodoxy. The solution, thus far, has been restraint, indeed a silence not devoid of embarrassment. But Mikoyan, in touch with the realities of the external world, seems to want a thorough revision of the ideology, and the rumblings in the artistic world are louder. The scene is set for the first beginnings of a piecemeal erosion of the Party's doctrine, and this may prove to be the next major development of the present era.

The uncertainty, discussion and compromise which have characterized the course of the concessions to popular pressure show on the one hand that the dynamism of communism is neither exhausted nor contained, and, on the other, that Stalinism is not yet wholly dead. Stalin began to grapple with long-term goals in 1946. These have remained unchanged. But, although the past three years have shown that the selection of different routes is imperative, these have not yet been defined. A host of disparate new departures in many walks of life, have not yet been integrated into a specific objective. The Party Programme of 1919, recognized in 1952 as obsolete, has not yet been revised, and the publication of fresh, long-term economic plans has been delayed. The revolution which has followed Stalin's death is not yet complete. But the apparent intention to complete these revisions supports the conclusion that the state as a whole is neither reluctant nor dishonest about the permanence of the changes thus far introduced.

No major change has ever been made in Soviet society overnight, for it has always become apparent that a protracted subterranean storm preceded the resolution of a conflict. The past three years, in addition to bringing changes of great promise, have been remarkably revealing of the extent to which the pressure for these new departures existed long before Stalin's death. By 1945, the Russian population had sustained not only about a quarter of a century of social engineering at forced draught, but a terrible war. These people had been accustomed to expect some relief after such tribulation. Instead, in the hour of their liberation from war, they were committed by their leader to even more taxing goals for 1960. Suslov later made it clear that Stalin was opposed in this decision, notably by Voznesenskiy, his youthful chief planner; and we have since learned that the latter paid for his beliefs with his life, and that others who shared his views suffered degradation or more. Stalin's testament, which appeared on the eve of the XIX Party Congress under the title of the "Economic Problems of Socialism in the USSR", revealed that he had been engaged in correspondence on this issue for some time; for, buried under the theoretical discussion was a central question of quite basic importance for policy: the allocation of resources and the organization of the economy to meet the immediate needs of the population, or to satisfy the more distant purposes of the state? The new textbook on economic theory, for which Stalin called peremptorily some six months before he died, was published a year behind the schedule he demanded, and, when it appeared, devoted a long chapter to this issue. If recent years have exposed the existence, by the middle of the Fourth Plan, of such tensions on economic minorities and other policies, they have also thrown much light on the associated and extraordinary ideological developments of the past decade. By his incursions into the fields of genetics, linguistics and psychology, and by the propagation of the belief in man's ability to transform nature and himself, Stalin had led the Party into a position curiously inconsistent with its older materialistic determinism. In all this, he appears as a leader seeking desperately to maintain the drive for the more costly of the old Soviet goals, and seeking to find a philosophical, if not theological rationalization for the imposition of his will. It now seems certain that the expansion of the central organs of the Party in 1952 reflected his search for new blood which would be more responsive to his *diktat* and less sensitive to the pressures which had accumulated; and Khrushchev has since charged that he did, in fact, plan to eliminate some of the older leaders. Thus, in the light of recent developments, Stalin emerges at the end of his life as an aging dictator, largely absorbed by the opposition to his policies, pressed by the knowledge of his own mortality (and possibly fear of assassination), and desperately seeking to ensure the survival of his beliefs. In his obsession with this, rather than a successor to his personal power, there may lie the greatness of the man. The last years of an arch-materialist are certainly a curious testament to the importance of ideas. But more important for present purposes, are the revelations of the past three years of the extent to which the recent changes had been the object of tensions among the leadership for some years prior to Stalin's death. This historical continuity further augurs the lastingness of the new departures.

The west must recognize that the new departures are not merely a cynical exchange of the administrative whip for the economic carrot. The economic concessions and the growing pessimism about the ability to create a new Soviet man resemble the beginnings of what has long since come to be revered in western history as humanism. The new legal policy is a recognition that the formalities of law cannot forever do violence to the law-consciousness of a people. Together, these changes remind us that even Soviet communists share the human thirst for truth, and show that some integrity and some acceptable standards, something of the true Russian national character, have again survived a terrible autocracy. Soviet politics has ceased to aim only at the impossible and has begun to lower its sights to the possible. In this, the west must admit that Russia is trying to stop being her own worse enemy, and it must seek to modify the highly imperfect stereotype of this nation which has been engendered in the public mind by a decade of cold war. It must be patient, recognizing that the political evolution of the Russians is slow and will remain slow, and that the policy of the present is only the first indictment of the recent past. Such recognition is imperative, if the West is to adjust to the promise of a tremendously powerful Russia within the life of some of her present leaders, and is to influence the application of her power.

R.A.D. F[ORD]

544. DEA/50128-B-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL Ottawa, November 27, 1956

THE IMPLICATIONS OF DEVELOPMENTS IN EASTERN EUROPE FOR THE U.S.S.R.

Further to my memorandum of November 27th[95] on the subject of Western Relations with the U.S.S.R., I attach a paper prepared in the Department which elaborates on the Soviet interests in Eastern Europe and fills in some of the details of our telegram no. SS282,[96] attached, on the situation in Eastern Europe. Events are moving so fast in this part of the world, it is difficult to keep up with them. This is an interim attempt.

JULES LÉGER

[PIÈCE JOINTE/ENCLOSURE]

Note de la Direction européenne

Memorandum by European Division

CONFIDENTIAL Ottawa, November 27, 1956

THE IMPLICATIONS OF DEVELOPMENTS IN EASTERN EUROPE FOR THE USSR

Since the death of Stalin, the Soviet régime has sought to eliminate some of the worst aspects of his régime and to some extent to improve its relations with the satellites in Eastern Europe. But the efforts by the latter to follow suit in varying degrees, after the Czech and East German riots of 1953, have been vacillating, confused and conservative. In this atmosphere, dissent became increasingly vocal. The XX Congress of the CPSU in February last, which proclaimed the policy of "different roads to socialism" and denounced Stalin, marked a turning-point. At once, in varying degrees throughout the Bloc, internal ferment began to erupt. In general, the voice of dissent began with a desperate plea for a higher standard of living, but the call for a better life soon evolved into a demand for more liberal and democratic government. In Poland, after the June riots in Poznan, the government underwent a revolutionary change in an atmosphere which, by September, was nationalist and frankly anti-Soviet. In Hungary, by October, revolution was accompanied by the first open manifestation of anti-communism in nearly a decade.

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[95] La note datée du 27 novembre sur les relations entre l'Ouest et l'Union soviétique a été révisé par Léger avant que la version finale ne soit rédigée le 5 décembre 1956. On ne sait pas très bien si le mémoire révisé, qui a été reproduit en tant que Document 545, a jamais été envoyé à Pearson.

The memorandum of November 27 on Western relations with the Soviet Union was revised by Léger before a final version was prepared on December 5, 1956. It is unclear whether the revised memorandum, which is reprinted as Document 545, was ever sent to Pearson.

[96] Voir le document 476.
See Document 476.

Moscow did not openly react to the results of its February policy and of its *rapprochement* with Tito until the Poznan riots. At once, it shifted its emphasis from "different paths to socialism" to the need for unity within the Bloc. In July, *Pravda* attacked nationalist communism. Since then, the senior Soviet leaders have made several rounds of visits to the capitals of Eastern Europe, and Moscow has received party delegations from the region. In September, the Central Committee of the CPSU issued a secret circular warning against the consequences of Titoism. Loans of $25 million were granted to Poland and to Hungary.

In mid-October, the Soviet Government used political and military pressure to delay the drift of events in the Party in Poland. In the last week of October, Soviet troops were committed in the support of the Nagy régime. It was alleged that this action had been taken in response to a request from the revolutionary government. When the revolt began on October 23-24, the Soviet forces in Hungary consisted of two divisions, totalling 32,000 men. The build-up in Hungary began on October 25. Between October 25 and 27, a division of 15,000 men was moved in from the USSR, and, on the latter date, 10,000 men were transferred to Hungary from Roumania. By this time there were four divisions of 60,000 men in the country. On October 29, the Soviet forces began to withdraw from Budapest, at the insistence of the insurgents.

On October 30, the Soviet Government released a statement of its policy toward the satellites.[97] It reaffirmed the principle of peaceful co-existence, friendship and cooperation; recognized the need to define its relations, particularly economic and military, with these countries; stated that the question of the continued presence of Soviet advisers was urgent; proclaimed its readiness to examine the presence of Soviet troops in the light of the Warsaw Treaty; deplored the fact that the situation in Hungary had led to bloodshed; announced that its troops would leave Budapest as soon as the Hungarian Government found this necessary; promised to negotiate on the continued deployment of Soviet troops in Hungary; and expressed confidence that the peoples of Eastern Europe would not permit the communist systems to be undermined.

It is not necessary to recapitulate the subsequent events in Hungary, where a policy of repression has been used to prevent an increasingly anti-communist and anti-Russian government from taking Hungary out of the Soviet bloc, or in Poland where the Russians have accepted, at least for the time being, a national communist régime. There has been no sign of a change in the status of the other satellites.

In the past decade, the defensive, economic and political importance of Eastern Europe to the USSR has increased.

For all types of conventional operations, the satellite buffer compels Germany or any other potential enemy to commence his action some 500 miles west of the most vulnerable Soviet border. In the face of an increasing nuclear threat, it is only within this region that the USSR has found it possible to locate air defences satisfactorily forward of its heartland, and Soviet investment for this purpose has been extremely large. Since 1949, over 100 major airfields, as well as very many lesser bases, have been built. Across this region runs a line of communications which has become almost essential to the maintenance of Soviet policy in East Germany and which would be of critical importance for operations against Western Europe. Finally, a region possessing 100 million people, some important natural resources and a developing industry, is already capable of contributing about one quarter of the total war potential of the Bloc, and the Russians have always been able to hope that a successful policy in this region would realize such a contribution in the event of war.

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[97] Voir/See *Documents on International Relations, 1956*, London: Royal Institute of International Affairs-Oxford University Press, 1959, pp. 465-468.

Soviet economic stakes in the region are high. On the basis of Polish coal, Hungarian bauxite, Roumanian oil and East German and Hungarian uranium, considerable progress has been made toward the industrialization of a relatively backward area, and the USSR had the promise of a "little Western Europe" on her doorstep. The region already produces over 10 million tons of steel and a similar amount of oil each year. Particularly in the more advanced states, the USSR has found a valuable reservoir of technical "know-how". The ties to the USSR developed through the re-orientation of trade since 1945 are now sufficiently tight and numerous that any change in the pattern would mean some disruption of the Soviet economy. Soviet economic plans for the future, including the rapid industrialization of China, the drive into the uncommitted and under-developed areas and the achievement of autarky within the Bloc, are all premised on the retention of Eastern Europe.

The communization of Eastern Europe represented the first step toward the realization of the international ideal of the Party, and, withal, an encroachment on the signally important continent of Europe. Without the satellites, which account for most of the voting strength of the socialist camp in international negotiations, there would scarcely be a Bloc. Soviet dominance in this region renders the Soviet sphere of influence contiguous with Germany and the older powers of the West, and thereby enhances the weight of Soviet influence in all major political issues. Finally, in what was once "Green Europe" the USSR has had an opportunity to produce a socialist solution for the benefit of Asia and the world.

Recent developments in Eastern Europe thus have very grave implications for the USSR, whether or not these are contained within Poland and Hungary, and checked within each of these countries. For they indicate that a Soviet régime which has proven out of date at home is also out of date in this region. Change is essential, and, if Soviet dominance is to survive, the Soviet Government must act.

There are many pressures on the USSR which have militated against a simple resort to force. There is little doubt that the post-Stalinist régime is highly conscious of world opinion. It has widely propagated a policy of peaceful co-existence, the peaceful settlement of disputes, non-interference in the internal affairs of states, and anti-colonialism. It must be deeply concerned with the effects of its policies in this crisis on the newly independent and much wooed nations of Asia. A simple military solution would probably entail an outright and increased occupational commitment, and this runs directly counter to the need to stabilize, if not to reduce, the Soviet defence budget. Regardless of how much Stalinism survives in the Soviet leadership, the facts of Soviet domestic policy show that this has been effectively challenged within the USSR over the past three years. While the example of British and French action in the Middle East may be unfortunate, the Soviet Government can hardly wish to court an equally wide disapproval of her conduct in Eastern Europe.

Revolution in Eastern Europe and Soviet military intervention demonstrate the failure of Russian policy in this region, the absurdity of Soviet claims to the unity of the Bloc, and the real character of the Muscovite security system. Moscow cannot rely on a continuation of this policy even if the Polish régime appears to be in command of the situation, the situation in Hungary is brought under control, and precautionary measures taken elsewhere are successful. The broader implication is the need to re-define Soviet relations with this region, to substitute diplomacy for *diktat*, to maintain dominance without domination. In approaching this task, the Soviet Government will be confronted with a number of problems which constitute the more immediate and concrete implications of the situation; military, economic and political.

The major problem in the field of defence is Germany, with which Soviet-Polish relations are particularly connected. In varying degrees, all of the satellites must regard the USSR as the only power which can effectively guarantee them against a revived Germany. The expulsion of over ten million Germans has further cemented Polish and Czechoslovak ties with the Soviet Union. But it would seem doubtful that the USSR will wish to rely on an agreement with an independent Polish Government, even if it remains communist, to secure access to East Germany. To maintain the most Stalinist régime in the region, the USSR has found it necessary to station about 400,000 men and a very high proportion of her armoured forces in East Germany. Some means must be found to compensate for what may become a Polish bargaining position which would have serious consequences even short of war. The situation may thus lead to some change in Soviet policy for Germany.

Moscow has been compelled to recognize that the Warsaw Pact has been inadequate to justify her military position in Eastern Europe. While the issue is undoubtedly latent in Roumania, it has been raised only in Poland and Hungary. But it is significant that the only Soviet forces serving under the Unified Command of the Warsaw Pact are in these three countries; and the USSR has some justification for seeking special military rights on the North European Plain and at the ends of the Balkan passes from Trieste and through the Vardar valley. The outlook is for a more conservative definition of Soviet military rights throughout Eastern Europe. In this respect, the USSR can probably make many satisfactory concessions without prejudicing her essential defensive position.

The unreliability of the satellite armed forces has long been known to the Soviet High Command, but events in Hungary and Poland have exposed this to the world. In Hungary, the crowning blow to the Soviet security system has been the rejection by a communist régime, which it has long been claimed owed its initial creation to the Soviet Army, of the assistance of that Army in aid to the civil power. The USSR has failed to create allies in Eastern Europe, but she has shown that, at least at this stage, she still mistrusts diplomacy and prefers, despite their unreliability, to maintain communist régimes in this region by force. This preference points up the primary Soviet motive in this region as the determination, for reasons of security, to keep the West out of a buffer. It is difficult to foresee any short-term solution for the Russians, other than possibly the provision of still stronger defences at home, and the elaboration of plans to eliminate the satellite forces in the event of war. This would suggest that Moscow for some time will have to encourage still more limited defence policies in this region. In the longer-term, the USSR may still hope to secure some response to a more liberal policy.

The economic problems of the region have acted as a major catalyst in the precipitation of the present situation. Broadly speaking, there are two aspects: over-ambitious planning and a related over-extension of the satellites' trading positions. The problem is thus susceptible to two broad solutions: a reduced pace of industrialization and a large volume of aid. The first is clearly essential, but will do less to present the Soviet position as concessionary than the latter.

A slower pace of development will probably reduce the deliveries to the Soviet economy. The satellites have thus far made a major contribution to the drive in the underdeveloped areas, whose markets in many respects were tailored to their needs. A lowering of goals will probably impede this drive and, even more important, reduce their ability to import much needed consumer raw materials.

The USSR can with difficulty permit the acceptance of American aid by this region and it will be interesting to see how Poland proceeds. Her plans will have to be drastically revised, if she wishes to supply such aid, and, judging from the volume required by a free Yugoslavia, it seems doubtful even at such a price that she can afford to provide this in the quantity required. At the same time, this region is unlikely to find significant markets in the West.

Yugoslavia possesses the greatest share of the natural resources of the region and there may be an increasing tendency throughout Eastern Europe to recognize the economic good sense of a regional solution based on a combination of Yugoslav raw materials and satellite industrial plant.

The larger political problem was initially centered on the failure of Soviet policy in Eastern Europe. There can be little doubt that Moscow preferred restraint and it would seem that she initially hoped to confine her intervention to a minimum. It also seems clear that she ultimately felt compelled to act, to check the spread of trouble throughout a region which she regards as vital and the growth of an intolerable threat to her security system. But, in so doing, she has lifted her problem from the level of her policy in one region to the level of the whole foreign policy which she has proclaimed since the death of Stalin. Thus Soviet policy in Hungary should tend to stiffen NATO, and weaken Soviet prestige in Asia, as it has already, in India. Her only course can be an effort to salvage some respectability by re-defining her relations with the region after restoring a puppet government. The outlook is for a return to the statement of October 30 as fast and as spectacularly as possible. In this, the Polish example may be of some assistance. To keep control, she must find inducements, and it will require many years of such a policy to convince the peoples of Eastern Europe. To affect the conclusions which the world has drawn, concessions must be concrete and major. On the other hand, the developments in Hungary will probably diminish any previous readiness on the part of Moscow and of the satellite régimes to broaden the basis of government. The Soviet Government must solve this dilemma. Moscow will also find it difficult to avoid that gratuitous *gaucherie* such as led to the announcement of the programme of the present Hungarian Government from Moscow.

The elaboration of such a policy will pose an extremely stiff challenge to the mentality of the Kremlin, and may well lead to dispute and to some reorganization of the Soviet Party and Governmental leadership. The next plenum of the Central Committee of the Party in December should be interesting in this respect. Although an effort has been made to isolate the Russian people from the facts, they have shown in the past that this is not entirely possible; and it is highly unlikely that a popular opinion which has welcomed the elimination of Stalinist methods will show no sympathy for the Hungarians. The campaign within the USSR to stir up indignation against the Western actions in Egypt looks suspiciously like an effort to divert the public mind from Hungary.

A very large number of issues centre around Belgrade. In view of the suppression of Hungary, the satellite peoples must conclude that "gradualism" and national communism are the only hope short of war, and national communism will be a fertile milieu for Titoism. Regardless of the extent of Tito's ambitions, political and economic forces seem certain to draw the satellites closer to Belgrade. The USSR has shown that she is not ready to consider neutrality in Eastern Europe. It follows that she will not be willing to allow the satellites to gravitate slowly into the Yugoslav orbit. The Soviet Government may be forced to grant concessions in the form of closer and more sophisticated economic links with Belgrade, but possibly its primary problem will be to contain Yugoslav influence and to maintain its own.

The extent to which the ambitions of the communist régimes have outstripped even Soviet inspired goals is by no means clear, and it is possible that the Kremlin, in its hysterical effort to maintain a facade of monolithic unity, has been unable to do justice to its own efforts to curb these régimes. A growing awareness of the degree to which local communists are responsible for the public plight rather than Moscow will further weaken the prestige of their régimes and call their policies in question, thereby exacerbating the problem for the USSR.

545. DEA/50128-B-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], December 5, 1956

WESTERN RELATIONS WITH THE USSR

In telegram No. SS282 of November 21, 1956 I attempted to spell out the dilemma facing the Russians in Eastern Europe. In this paper I should like to outline a few ideas which have occurred to me on the effects of these developments on the USSR itself, and the course of its relations with the Western world.

2. The Russian dilemma in Eastern Europe is basically that the armed intervention in Hungary, and the failure to find a valid Hungarian government, will make more difficult the application of "liberal" measures throughout the rest of the bloc. To add to the paradox the Russians are committed in principle to a "liberal" policy by their declaration of the 30th of October, which they have repeated on several public occasions is the policy they continue to follow, and they have officially accepted national communism as the course which Poland has decided to adopt. I suggested that a serious situation could arise whichever path the Russians took: "liberalism" in Poland, and repression in the other satellites which is an undesirable position over a period of time; or a return to a strong measures everywhere.

3. This is all the more serious for the Russians in my opinion because the repercussions of the events in Poland and Hungary are likely to be felt in Russia itself, and I think it is the realisation of this which has caused the rather erratic behaviour of the Russians during the past few weeks.

4. The events in Hungary and Poland must have had a profound shock on the Soviet leaders. In spite of what they say the rebuff given to Khrushchev and his colleagues publicly by the Poles in Warsaw, and the passionate demonstration of the anti-Russian and anti-communist feeling in Hungary must by now be accepted as genuine by the Soviet leaders. To this must be added the wide-spread reaction throughout the world, even including Asia, and, perhaps most disquieting of all, by the reactions of foreign communists to the events in Hungary.

5. At the time of the June 1953 riots in East Germany we concluded that the most disquietening aspect of them for the Russians was the fact that they "could not take place" — according to Marxist theory. The proletariat could not rise up against its own leaders, and against its communist brothers from the USSR; therefore, it had to be explained as instigated by Western agents.

6. But it is not in the long run possible so to explain the revolt of an entire people, and I wonder if the Soviet reaction is not in part shock at the revelation of the extent of hatred they have engendered, and in part a bewilderment at this failure of the theory. From this it could be an easy step to wonder if time were really on the side of the communists.

7. At the same time the Russians must have come to realize the political and economic failure of Stalinism in the satellites, and the prospect that even a slight relaxation is enough to blow the lid off. The question then arises as to the possibility of insulating the Soviet people from the effects of events in the satellites. If the policy of relaxation is scrapped, then it will gradually mean a revision of the policy of peaceful co-existence, and probably an attempt to slow up the domestic policies of Khrushchev and Bulganin. If the policy of relaxation in the satellites is continued, the Russians could be faced with the prospect of most of their subject peoples enjoying more liberties and possibly a higher standard of living than any the Russians have ever known.

8. It is going to be difficult — Mr. Nehru believes it is impossible — for them to put the clock back in the satellites, and just as difficult in the USSR itself. It will be equally difficult to proceed with the Khrushchev policies undiluted. It would not be surprising, therefore, if there were strong differences of opinion in the Praesidium.

9. President Tito has already declared that there is a split in the Soviet hierarchy, ostensibly over their policy towards Yugoslavia and the satellites. Even if we did not have this confirmation from a reliable source, we might have guessed it from the fluctuations of Soviet policy in Hungary, and indeed towards Yugoslavia. The Russians must partly blame Tito for the course of events in Poland and Hungary, and yet, up to the abduction of Nagy, they clearly could not make up their minds to swallow their anger, or to attack Tito. There must indeed be a school of thought in the Kremlin in favour of a strong effort being made to eliminate one of the sources of the trouble — Tito.

10. I doubt if the Russians have had time to make up their minds about the results of the crushing of the Hungarian rebellion. They may have, by their military action, minimized the chances for the time being of any other satellites asserting their independence. They have made a show of force in Central Europe without provoking any sign of intervention by the NATO powers.[98] Whether or not this has enhanced the prestige of the military and of the group in favour of a tough line, is very difficult if not impossible to say.

11. On the debit side they must calculate that they can only hold Hungary by military force, and it was precisely because they did not dare accept this risk that they did not overrun Yugoslavia in 1948. The Soviet action means a great and probably continuing loss of prestige and influence throughout the world. Furthermore, the peaceful Soviet protestations of the past two years have been made to look ridiculous, and the result should be a hardening of western will to rearm and to resist.

12. In connection with the latter the Russians probably expect that their action in Hungary will speed up German re-armament (though there has been no sign of that up to now) and reduce their chances of making headway in Germany during the coming election year. The alarming revelations of the weakness of their position in Eastern Europe, plus the prospect of a re-armed Germany, must add to the arguments in Moscow in favour of some positive action now.

13. One thing on which I think the Russians must be agreed is the need to distract attention as quickly and thoroughly as possible from their dilemma in Hungary and Eastern

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[98] Note marginale :/Marginal note:
probably did not expect any J.B.C. W[atkins]

Europe. For this purpose the Middle East crisis was made to order. They have tried several other gambits such as a disarmament conference, a summit conference, and so on, and may experiment with others, but unless they are prepared to risk all-out war, I doubt if they would try military action in Europe, either against a neutral country or against NATO.

14. The anti-American feeling in Western Europe, however, is such that the Western Alliance is already considerably weakened. This can only be remedied by strong U.S. leadership in the political and economic fields. Failing such leadership the Alliance will continue to disintegrate and the Soviets will be the stronger. As in so many instances before, Soviet strength is partly made of Western weakness.

15. The anti-American feeling in France and the U.K. may seem largely unreasonable, particularly to Americans, but it exists and is almost certain to grow. It is in part psychological, and must be eliminated by measures intended to restore some of the confidence of these peoples in their own future and in the alliance. If it continues unchecked it is going to cross the Atlantic to the U.S. and in turn start an unreasoning movement towards isolationism.

16. In dealing with the Russians during the next six months, which is bound to be a very delicate period at least in part because of the stresses and strain in the Soviet bloc, the U.S. (and Canada) must balance the need to keep the Russians out of the Middle East, and to seek a permanent solution there, against the absolute need to restore and strengthen the Western Alliance.[99] In the meantime we should do nothing, in my opinion, either to help the Russians out of their embarrassing predicament in Eastern Europe, or to provoke them into further aggressive action through a miscalculation of Western intentions.

17. There are times when we can and should be co-operative with the Russians, and the developments in Eastern Europe are proof that our policy of encouraging the trend towards "liberalism" was the correct one. There are other times when we should be firm, and I think that applies now.

18. If the West were strong and united we would be in an excellent position to further this development inside the bloc. Since we are not, we must move rather cautiously until the Western Alliance is reformed and restrengthened.

19. If the Russians are permitted by the West to return to the policy of peaceful coexistence after a decent interval for the internment of Hungary, then they will certainly conclude that a tough policy has been justified. If we show them that they have lost the benefits of the policy of the last two years in return for ephemeral military gains in Hungary, then I think there is a chance that the group in the Soviet hierarchy may decide that the tough policy was shortsighted and return to the kind of international relations which are necessary in the nuclear age.

20. As far as diplomatic contacts with the Russians are concerned, I think we should not do anything which would minimize in their mind the impact of their Hungarian policy. For this reason, therefore, I think a high-level diplomatic conference would play right into their hands, and it would have a clearly diversionary intent. We cannot, however, remain indefinitely without contact; the first step is clearly to reform the Western Alliance and then work out a positive policy for Eastern and Central Europe, and for the Middle East. If it could be done, the ideal thing would then be for the Western Big Three to explore secretly with the Russians the desirability of a conference to discuss these problems. The main difficulty lies in balancing the need to produce an imaginative programme for these two

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[99] Note marginale :/Marginal note:
This is past praying for J.B.C. W[atkins]

areas which would make it worth while for the West to risk the propaganda losses a conference with the USSR would entail against the danger of giving the Russians the impression we were trying to drive them out of Eastern Europe.

21. On a less exalted scale we ought to bring home to them on every occasion the contempt with which their barbarous behaviour in Hungary is felt in the West.[100] We must make them feel that they cannot act in this way and be accepted as equal members of civilized society. To accomplish this we are going to cut down on purely social contacts with Soviet diplomats. We will also put in abeyance the question of exchange of visits for the time being and as soon as the situation becomes a little more clear we can then reexamine this to see if we have anything to gain from technical visits. In the meantime, I think the exchanges of information can go on.

22. With regard to trade, I see no reason why we should not continue to develop what trade is possible since we stand to gain as much from this as the Soviet Union.

23. We ought, at the same time and as soon as possible, to put Poland in the same category as Yugoslavia as far as contacts, exchanges and so on are concerned. We will have to watch this very carefully, of course, to see whether this attitude should be modified in the light of developments in Poland. As regards the other satellites, we ought to start treating them as individual countries with their own special problems. Eventually, if tensions are relaxed, we would think in terms of developing closer relations with them. Our treatment of Hungary will obviously depend on the outcome of the events there.

24. I should be grateful if you would let me know if you agree with this analysis.[101]

J. L[ÉGER]

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546. DEA/50128-40

Note de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from European Division
to Under-Secretary of State for External Affairs

SECRET [Ottawa], January 25, 1957

SOVIET POLICY

I thought we might use the occasion of commenting on some of the interesting reports we have received from several of our Missions on Soviet policy to indicate fairly briefly our approach to what has been happening recently within the communist world. Our main point is that, chiefly for internal reasons within the Soviet bloc, the "thaw" is almost bound to reassert itself if given a chance — and Western planning should take this into account whatever we think of events in Hungary and the Middle East.

2. The attached telegram to Paris, for your signature if you agree, has been discussed in draft with Far East, Middle East, D[efence] L[iaison] (2) and United Nations Divisions and carries their concurrence.

J. G[EORGE]

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[100] Note marginale :/Marginal note:
What is the criterion these days? J.B.C. W[atkins]

[101] Voir/See Document 518.

[PIÈCE JOINTE/ENCLOSURE]

Le secrétaire d'État aux Affaires extérieures à l'ambassadeur en France

Secretary of State for External Affairs to Ambassador in France

TELEGRAM S-46 Ottawa, January 30, 1957

SECRET

Reference: Your telegrams 29 January 10† and 33 January 12;† Candel Telegram 167 January 14;† Washington Telegram 147 January 19.†
Repeat Candel New York, Embassy Washington (Routine) (Information).
By Bag from London to: Moscow, Prague, Warsaw, Stockholm, Vienna, Belgrade, Ankara, Athens, Beirut, Cairo, Karachi, New Delhi, Tel Aviv.

SOVIET POLICY

We found De Menthon's comments very interesting; I think we can agree generally with him. Possibly we might wish to give more emphasis than he has to the internal situation in the Soviet Union.

2. It is no accident that the December party plenum confined its communiqué to internal economic matters despite developments abroad. Soviet empire leaders may only now begin to realize that a world power leading a coalition is faced with demands on its resources both internally and externally, not all of which are within its capacity to meet. Recent internal and external developments have placed an increasing strain on capacity to meet both. Moscow's main problems in this field may well be to devise a new system of priorities.

3. In Eastern Europe Moscow faces the challenge of substituting some measure of diplomacy for ruthlessness. Poland and Hungary demonstrated the difficulties but not the impossibility of applying the October 30 declaration of policy. The USSR both at home and abroad has derived considerable benefit from its satellites. For the foreseeable future it must seek to delay any processes which might substitute a buffer of merely friendly states for a bloc of communist régimes. Gomulka's pre-election position made it clear that he fully appreciated this.

4. The situation in the Kremlin is probably fluid; we doubt that it has yet crystallized into a "power game". We also doubt that Soviet policy in the Middle East, the implementation of which has followed lines established before Stalin's death, yet figures largely in any clash of ideas or personalities. We agree with De Menthon's view that the Soviet Union is perturbed by the Eisenhower proposals.[102] But we think it is important to consider why they are perturbed because the Soviet reaction will, of course, depend on what Moscow sees in these proposals. Our tentative conclusion is that the Soviet Union has good reason to consider that its long-term political and strategic interests are affected by the Eisenhower proposals; even if they cannot agree publicly they must be aware however that their immediate security interests are not affected. While the military guarantee offered by the USA must appear as qualified and irrelevant to the Russians as it does to some Western observers, the assumption of long term responsibility by the USA in the Middle East serves

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[102] Pour une note explicative sur la Doctrine d'Eisenhower, voir volume 22, document 208, note 173.
For an explanatory note on the Eisenhower Doctrine, see Volume 22, Document 208, note 173.

notice on the USSR that the USA intends to dispute any extension of Soviet interests in this area in the years to come. The risks involved in a direct USA-Soviet confrontation in the Middle East should force them into a more cautious course. It seems not unlikely therefore that, until the picture becomes clearer to the Soviet Union, the immediate response from Moscow will consist in face-saving propaganda and vague counter offers to countries of the Middle East in the Cold-War vein. This would not rule out supplying arms on favourable terms, and possibly offers of economic assistance. What the ultimate response will be is not clear, although, in addition to the usual Communist tactics of subversion, it might involve a pattern of trade between the satellites and the Middle East and propaganda playing upon the theme of Arab self-respect in contrast to the Middle East vacuum theory of the USA.

5. Preoccupation with Eastern Europe and with economic pressures at home and abroad will do much to limit possible Soviet moves, but it should not be overlooked that the scope for Soviet manoeuvres and initiative is considerable in the Middle East, greater indeed than in Eastern Europe.

6. In the Far East we question the suggestion of the French, reported in paragraph 4 of your telegram 29, that there has been a recent reconciliation after a period of drifting apart in Sino-Soviet relations. While there may be something in the speculation that Chou has been coming to the aid of Khrushchev because the latter had been instrumental in securing Soviet economic assistance for China in past years, the primary motivation of China's recent change of tune is mainly the threat to communism as such represented by developments in recent months in Eastern Europe. Faced with the same problem, Tito has reacted similarly to the Chinese although he has not gone nearly as far in justifying Soviet intervention in Hungary and the suggestion that Gomulka should slow down the development of national communism in Poland. Neither Tito nor Chou relish the thought of communism in Eastern Europe being replaced by any other system. Recent USA policy statements have undoubtedly reinforced these tendencies for all good communists to come to the aid of the party and of the leadership of Moscow in this phase of relations between the USSR and the USA.

7. Taking a broad view, then we doubt whether the thaw is really over in the Soviet government's relations with its own people and with the outside world. In spite of Hungary and Poland and the new USA policy in the Middle East, internal pressures within the Soviet Bloc and within the USSR and the CPSU itself will probably be sufficient to keep Moscow moving — slowly, carefully and pragmatically — but in the direction of more liberal attitudes both within and without the USSR. If this be true Moscow may be growing more serious than before about those aspects of its disarmament proposals which deal with European security. It may be that the Soviet desire for trade arrangements in the E.C.E. and U.N., as well as its disarmament proposals relating to European security and redeployment, reflect a desire to sound out the West on a new dispensation which will either retain as much of the Soviet position in Eastern Europe as possible, or secure compensatory gains in regard to Germany and NATO. Be that as it may, Western policy should neither write off the possibility of a new thaw nor be unprepared to exploit its return should occasion arise.

[J.] LÉGER

547. DEA/50170-40

Note du chef de la Direction européenne
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division,
to Secretary of State for External Affairs

SECRET [Ottawa, February 1957]

REPLACEMENT OF MR. SHEPILOV AS SOVIET FOREIGN MINISTER

I have not, for the past three months, been able to follow events in the U.S.S.R. in detail, but I have been thinking over the implications of Mr. Shepilov's removal from the Foreign Ministry and the appointment of Mr. Gromyko. I submit my tentative conclusions with all diffidence.

2. I think the Soviet authorities would like very strongly to return to the conditions which existed before the Hungarian revolt and particularly to the "peaceful co-existence" between the U.S.S.R. and the Western World. I think they realize that they have a great deal more to gain potentially from a continuation and development of this policy than from a return to the sterility of pure Stalinism, with which many of them in any case had been clearly in disagreement even for some time before the abandonment of the policy. However, some aspects of the domestic policy of the last couple of years are likely to be modified as well as the policy towards the satellites. The latter was obviously developed much too fast and led to some pretty disagreeable results for the Russians, not the least of which was the effect of "liberalisation" in the satellites on the Soviet people itself. This was evidently something which surprised and frightened the Soviet leaders and there are quite a few signs that they are trying to slow down, if they cannot reverse, this process within the U.S.S.R.

3. The aspects of the policy which affected relations with the Western World, however, have largely produced useful results for the Russians. The latter have made it clear on a number of occasions that they would like to get back to the same type of relationship as they had before Hungary, though they perhaps do not realize that in the eyes of the Western World one of the things which made it easier for the West to develop more friendly relations with the U.S.S.R. was precisely the modification of the more odious forms of Stalinism inside the U.S.S.R.

4. It is difficult to say definitely that the removal of Shepilov and the appointment of Gromyko herald a new departure in foreign policy. Obviously, Gromyko is not going to make a new policy. He is a technician who will apply the policy decided upon by the Presidium. In the past, however, modifications in Soviet foreign policy have almost invariably been accompanied by a change of foreign minister. Therefore, the fact that Gromyko is a technician does not necessarily mean that the policy may not be modified. The Russians have gone to considerable pains to stress their intention of maintaining the policy followed in the past few years. I imagine this is correct in the sense that they intend to try to exploit what advantages they have gained from this policy. The appointment of Gromyko, however, puts the implementation of the policy in the hands of a tough and skilfull diplomat who can, if necessary, easily interpret that policy in a much more rigid manner than could Shepilov, who was identified with the "softer" line towards the outside world as well as, of course, a number of failures such as their relations with Hungary, Poland and Yugoslavia.

5. I think the time has probably come when we ought to make a serious estimate of the advantages and disadvantages for the West of the policy of the last few years. There are a

number of obvious gains: the Hungarian revolt; the loosening of ties between Poland and the U.S.S.R.; generally the more fluid and unsettled situation among the satellites; and finally, the disillusionment and defections among the communist parties in the Western world.

6. The disadvantages are the tendency to reduce our defences; the strain on NATO caused by the need to meet expensive defence bills during a period of "cold peace"; the increase in Soviet prestige in the Middle East and Asia; and the luxury of indulging in our own internecine disputes when the Soviet menace was slightly relaxed.

7. The Russians are probably convinced that the United States did not like the period of peaceful co-existence and are now determined to force the U.S.S.R. back to a period of cold war. For prestige purposes they will find it necessary to counter what they consider American cold war moves by counter moves, as in the Middle East. The difficulty is to prevent such moves and counter moves from creating a chain reaction, the end result of which may be quite unlike what either side originally expected. Nevertheless, at the same time the Russians seem intent on making other gestures aimed at reducing international tension. Up to now they have not given any indication that they are prepared to pay a real price for a return to the pre-Hungarian state of affairs. It would, in my opinion, still be a mistake to let this happen without exacting something in return. At the same time, we do not want a return to the tensions of the cold war, and this is going to be particularly delicate in view of Soviet nervousness, about their position in Eastern Europe, their calculation of U.S. intentions, in the Middle East, and their reaction to the announcement of the delivery of atomic warheads to forces in Western Europe. Therefore, I think we will have to tread a very careful path during the next six months to determine how we should stand without starting a series of events which would inevitably lead back to the situation of, say, 1952-3, which profited neither side.[103]

R.A.D. FORD

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548. DEA/50128-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], March 11, 1957

THE CRISIS FACING MOSCOW

On a number of occasions in the near future, the question of Soviet domestic and foreign policy will receive renewed attention. We expect that the subject will be discussed, for instance, at the Bermuda talks and at the forthcoming NATO Ministerial meeting. As in past years, it may also be raised shortly in the External Affairs Committee of the House.

2. I attach for your perusal and comments a memorandum prepared in the Department which attempts to set forth the basic problems facing the Soviet leadership as it seeks to develop a policy for the future. These problems are examined not only in the light of recent

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[103] Note marginale :/Marginal note:
I agree [L.B. Pearson]

developments in Eastern Europe and the Middle East, but in the larger perspective of Soviet policy — and economic policy in particular — over the past decade.

3. This memorandum points out that the Soviet leadership has been caught for the past ten years between two conflicting pressures: one, which is internal, is toward the reduction of the pace of economic growth, in order to give a better life to the consumer; one, which is largely external, is to continue, indeed, to increase the rate of economic expansion. The latter pressure has been greatly increased by developments in Eastern Europe and the Middle East, as well as by the demands of China and of "competitive co-existence" generally. Although very much has been accomplished, Moscow now faces a serious dilemma, and it is important for the West to realize the depth and breadth of this crisis.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

CONFIDENTIAL Ottawa, March 7, 1957

THE CRISIS FACING MOSCOW

For forty years the whole of Soviet policy has pursued two ostensible objectives, the attainment of communism at home and the extension of communism abroad. For more than half of this period, these objectives have served as little more than rationalizations for a policy which seeks a much more immediate end. The vast energies of the people have been concentrated on building up the power of the state. This has been the immediate end of the whole of Soviet foreign policy. Even the international communist movement, originally spawned to serve a distant external goal, has been systematically exploited at every critical juncture in the interests of a strong home for socialism, i.e., in the interests of an immediate internal goal.

2. In the service of this single god, ceaselessly expanding power, the state has not relied alone on draconic sanctions. It has also built up a system of positive indoctrination which it has made so pervasive that there is no area of life which is immune to its influence. But the important fact is not that it has exercised both control and persuasion, to a degree unparalleled in human history; the important fact is that, despite the diversion of the national energies to the immediate goal of power, the device of persuasion has remained the old rationale of a distant utopia at home and abroad. It is this device which has enabled the Soviet régime to play with remarkable skill on the inherited predispositions of the Russian people, and it is this rationale which informs the whole spirit of Soviet society.

3. Twenty years ago, the facts of life forced the Soviet régime to postpone the attainment of its ostensible goals indefinitely. Since then, it has become progressively aware that even its conception of the more immediate goal of national strength has been inadequate. It has struggled incessantly to define the levels at which it would attain the desired strength. Malenkov was the first to refer publicly to long-term planning in 1939. Stalin quickly reverted to this in 1946 when he set up several targets for 1960. After a further ten years of incredible sacrifice, and with several of the late dictator's goals already surpassed, the state has just been forced to admit that a twenty-year plan is now necessary. Phenomenal growth and a more realistic understanding of economics have merely made the immediate goal recede even more into the future.

4. The discrepancy between woolly aspiration and the concrete goals of Soviet policy, and the steady recession of the ultimate goal, is vital to an understanding of the crisis which now confronts the Soviet leadership. It is a crisis which has been born of this discrepancy and of this hope deferred. It has been increasingly manifesting itself throughout the last decade in the related problems of scarcity of resources and a deep popular weariness. Both of these problems are symptomatic of pressures which are working against the basic ends of the régime. The gravity of the crisis lies in the implications of these pressures not only for Soviet policy, but for the very *ethos* of Soviet society and the unity of the international communist movement.

5. Since 1945, the state has increasingly addressed itself to the containment of these pressures. In Soviet economic policy, the basic pre-occupation of daily administration, and indeed of many major planning decisions, has been uniformly the reduction of costs. Since Stalin, the direct object of the whole of Soviet initiative on the foreign scene has been the reduction of the cost of maintaining the *status quo*; and, since Stalin, the broader purpose of all domestic policy has been a concession to human fatigue to stimulate productivity. These concessions have proven gratifyingly easy to nervous successor régimes.

6. But a rise in productivity is only a step toward the same old ultimate goal of increasing material power. This is a god which has survived both Stalin and Malenkov and which is still sacred for Khrushchev and Bulganin. The only satisfactory concession which can be made by a state which promises the good life is to alter its investment policy in favour of the consumer. Only such a change will give solid justification for believing in the rationale which sustains the régime. But such a change will delay and reduce the growth of Soviet power. Such a change will deny its god.

7. For ten years the state has sought to conceal and to suppress the demand for this vital change. While the nation was still breathless in 1946, Stalin tried to anticipate its moods by setting goals for 1960. In the same year, he ordered the economists to prepare a theoretical text, ostensibly to explain the Soviet economy, but really to justify an investment policy which ignored the consumer. Gradually, two basic "laws" were worked out, the impact of which was precisely such a justification. Voznesensky voiced the popular demand, and paid for his temerity in a silent death. The inner dialogue of Stalin's wordy last will and testament, published on the eve of the XIX Party Congress, revolved around this basic demand and this basic policy. But the dying master had no such solution to bequeath to his successors as he had received from Lenin. In the hour of his death, he seems even to have been desperately preparing a purge to supplement persuasion. With his passing, the controversy broke out again, this time in the open, and lasted from the autumn of 1953 until January 1955. In the middle of this, the overdue text-book appeared. It contained two chapters on this issue, but, under Malenkov, the unpalatable implications for the Soviet consumer were literally presented in fine print. Finally, after a visit to Peking, Khrushchev and Bulganin formally squelched all public argument by re-affirming the priority of industry over the consumer.

8. But if the Stalinist god of power, of steadily increasing industrial production, has survived its prophet, so also has a popular demand to relax the bonds of its servitude. On an issue of truly basic significance, the CPSU has been on the defensive for ten years. De-Stalinization looks more and more like an hysterical appeal to support the essence of a Stalinist policy without a Stalin. Both successor régimes have tried stubbornly to postpone the *dies irae* but both have had to yield a little. Malenkov gave way in the direction of more consumer goods. Khrushchev and Bulganin have merely switched the retreat toward more housing and agriculture.

9. The Soviet leadership is under severe and continuous pressures which can be alleviated only by a major change in basic policy, and not by marginal concessions alone. These pressures are internal, and are present in the satellites as well as at home. The leadership must find the relative levels of industrial and consumer investment at which it can compromise with an increasingly educated, increasingly sceptical, and increasingly hungry and tired consumer. It may be relatively easy to define levels for a population which has never demanded very much. But the pressures forcing the leadership to cleave to the old Stalinist line are also increasing.

10. On the face of it, there would seem to be no serious internal obstacle which would prevent the régime from adjusting its investment policy in favour of the consumer. The Party would merely have to shift the emphasis in its propaganda from the growth of industrial output to a convincing rise in the standard of living. The payment of a long overdue bill would be thoroughly satisfactory to the masses and would almost certainly enhance their loyalty to the régime. The sincerity of the Party's claim that it is ultimately trying to improve the welfare of the masses would be demonstrated, its basic claim to popular support would be secured. It would still be possible to orient the whole nation toward a communist utopia, and it would be easy to rationalize the fact that further progress toward that end would simply be more balanced than in the past. A better life would do much to reduce the social indiscipline which has expressed itself in hooliganism, drunkenness and the black market. But it is not simply that Soviet planners do not understand either Keynsian economics or that a rise in consumption will lead to possibly greater expansion than has been achieved by favouring heavy industry. The Soviet leadership knows and mistrusts its people. It fears that the ordinary Russian, lacking the sense of property and the native instincts to save with which the capitalist societies are imbued, thinks of the good life rather than of the future. It knows that strict controls and persuasion are not enough to ensure growth, and that some measure of enforced austerity will be necessary to prevent the appetite for consumption from diverting national energies into pointless channels, instead of merely spilling over in a black market.

11. Operating midway between the internal and external forces, and partaking of both, is the pressure of the Soviet defence programme. This is not a post-war development. It began as long ago as 1928, and, although great progress had been made by 1941, the Second World War interrupted the rounding out of the air and naval elements, leaving the Soviet Union essentially a land power. The tasks of resuming this programme since 1945, of building air and naval elements, has been made enormously heavier by the need to add still further elements such as nuclear weapons and guided missiles, and, at the same time, to compete both qualitatively and quantitatively with American military power. The Soviet defence planner has patently not yet reached all the desired defensive goals. The threatened reduction of the rate of industrial growth is a matter for anxious concern.

12. The internal reasons for hesitating at this point to give the people a better life have always been there, and the demands of the defence programme are growing less in the sense that the U.S.S.R. has already achieved greater military power than she has ever had, and almost enough to protect her international position. In the context of defence, we are already looking outward, and it is abroad that the pressures forcing the leadership to cleave to the old Stalinist line are increasing. These originate within the Bloc, in the underdeveloped countries, and in the free capitalist West.

13. For about a decade, the Soviet Government has claimed that the purpose of communist policy in Eastern Europe has been the same as that in the U.S.S.R., the movement toward a better life. Here, however, just as at home, the real end of Soviet policy has been the building up of Soviet strength, and the satellite economies have been ruthlessly

exploited for this purpose. While the Russian people have for many years been more patient with the discrepancy between proclaimed and real policy, it could not be expected that conquered foreign populations, which have experienced the same weariness as the Russians without being their own masters, would be equally patient. They have been the first to object decisively. Yugoslavia began the protest nearly ten years ago. Poland has firmly rejected the direction imposed on her efforts by Moscow without attempting to break out of an inescapable alliance, while Hungary has revolted. There are signs of a silent, almost conspiratorial movement in the same direction on the part of the Czech leadership. The barrenness and sterility of a Soviet policy which has concentrated on selfish ends, and which has relied on conquest and diktat has been exposed. The U.S.S.R. cannot keep unity and supremacy in the Bloc without resorting to diplomacy and without altering her whole policy of using the Bloc to augment Soviet strength. The emergency in Hungary has already cost her millions. The disorganization of the regional economy caused by the events of the past six months will cost her billions. And this is only the beginning. For ultimately, the only way to hold the Bloc is to offer a Soviet Marshall Plan. This Moscow has begun to do on a very small scale, but cannot continue on the scale required by the needs of the Satellites without further reducing her annual rate of growth. Already, Poland has had to seek foreign financial assistance to complete her industrialization plans and credits to tide her over the gap until the new industrialization begins to pay for itself. Already, the U.S.S.R. has withheld a quarter of a billion dollars promised to Yugoslavia, though for political as well as economic reasons. The capital charges on the Soviet economy in the short term are great. In the long term they are bound to be enormous.

14. China is the only member of the communist bloc which has not been arrantly exploited for narrow Soviet ends. In this case, the problem facing Moscow is to maintain the position of senior partner, and this means to continue to generate a relatively slender capital surplus for export to China, a further pressure operating against a decline in industrial production. But this is not all. Unlike Eastern Europe, China presents a long term threat of competition. Moscow must keep pace with the China that is yet to be. After seeing something of the human potential of China, Khrushchev in January 1954 openly advocated a policy of encouraging a higher birth rate. It is also after his return from China that he and Bulganin tried to squelch the demand for a basic change in Soviet policy by reaffirming the primary of heavy industry. It is significant that Moscow has encouraged China to look south-east, and has made a head-long rush to penetrate India first. It is not only to provide more food for his people that Khrushchev has begun the transfer of several million Russians to the new lands of Kazakhstan and Siberia. This area, thinly populated by non-Russian peoples, lies astride the rail-heads of the new transcontinental links with Peking. More than prestige within the Bloc is involved in the effort to keep ahead of China. And this effort is a further pressure against any decline in industrial growth.

15. Since 1952, the Soviet Union has been endeavouring to add material force to its drive to penetrate the under-developed areas of the world by extending credits for the purchase of capital goods. It is not only that the waning of the Western political position in these regions has offered an opening for Soviet influence; it is a fact that the markets in these regions are peculiarly tailored to the capacities of an economy which is characterized by steady industrial growth. Continued priority to industry has given the U.S.S.R. a slender capital surplus which she has been able to put to good use in these regions not only to accumulate prestige but also to trade for consumer raw materials. But the whole Soviet programme in these regions is predicated on a continuation of the Stalinist economic policy which favours industry not only in the U.S.S.R., but throughout Eastern Europe. For it is the satellites which have born about half of the weight of this programme, and virtually

the full brunt, except for arms deals, in the Middle East. A decline in the rate of industrial growth within the U.S.S.R. and the satellites will entail serious humiliation for the whole Soviet position in the under-developed areas, including the Middle East where recent developments have threatened the direct confrontation of Soviet and American ambitions.

16. At the bottom, a major reason the CPSU has been able to exploit the communist movement in the West in the interests of the Soviet Union has been the myth of the superiority of the Soviet economic and social system. Soviet propagandists have been increasingly embarrassed by the failure of the capitalist economies to show the expected cycles of boom and depression, and they have concentrated more and more on the continuous upward graph of the Soviet economy. A failure to continue to maintain this course will have serious effects on the primary of the U.S.S.R. in the international movement. Moscow must find an alternative formula to preserve not only her position but unity within the movement.

17. For ten years, the régime has tried to conceal and to suppress the demand for a major change in basic policy. Since Stalin's death, it has sought to substitute marginal concessions and increased incentives for such a change. While a remarkably patient population may make it relatively easy to find a compromise at home, it is the external pressures of an over-ambitious foreign policy which are growing too fast for a facile solution or a series of stop-gaps in place of a policy.

18. Here, then, is the dilemma and the crisis confronting Moscow in 1957. Communism has based its claim to the hearts of men on the promise of a richer life. But the movement has been exploited exclusively to augment the power of the U.S.S.R. Where Soviet power could be brought to bear, controls and sanctions have supplemented the ultimate promise to maintain unity in the pursuit of a more immediate goal. At greater distances, the unity of the movement has relied on the myth of the superiority of the Soviet system, and on the fact of the spectacularly increasing power of the U.S.S.R. On the assumption that this would continue, Moscow has perhaps prematurely staked its whole programme in the satellites and the under-developed areas. The continuous expansion of Soviet power is now threatened by the fatigue of the people at home and within the satellites, and by a growing scarcity of resources. Moscow must now accept retrenchment at a time when many pressures, which are chiefly external, demand further expansion. To fulfil its ultimate promise of the good life, Moscow must accept a slower rate of growth. If that rate of growth declines, the unity of the international communist movement, the supremacy of Moscow in that movement, and possibly the whole ethos of Soviet society, will be threatened — perhaps is already. Moreover, a foreign policy which has sought to augment the power of the U.S.S.R. by weakening the West at every opportunity must now recognize the increasing risk of global war inherent in obstruction, disruption and subversion. The essential poverty of Soviet thinking, especially in the international scene, has finally been exposed.

19. The piecemeal erosion of the essential Soviet position has begun. Already, on the eve of war in 1939, the definition of the Party was watered down from a militant alliance of the international proletariat to a combination of like-minded persons. But the process has gone on apace in conditions of peace. The Stalinist dictum that consumer demand must always exceed supply has been formally jettisoned. Investment policy has been softened by both Malenkov and Khrushchev. In the abolition of the terror, the myth of the internal enemy has been publicly abandoned, though it may be revived. War is no longer inevitable. The goal of catching up with the West has officially receded. The drive to expand trade speaks less of autarchy and more of the international division of labour, and the structure of imports has altered in favour of the consumer. Two Party *plena*, assembled in a time of international crisis, have spoken only of internal problems, and have prescribed a drastic

reorganization to stimulate production. The further de-centralization of the economy, if successful, will substitute territorial monopolies or cartels in the provinces for socialist ministries in Moscow. In this re-organization, there is a humiliating absurdity; for, in its effort to maintain expansion, the shape of the socialist system is forced more and more to come to resemble that of the capitalist system. Finally, in the face of these pressures, the Party has failed for twenty years to formulate a long over-due master programme. Khrushchev is given a formula for Bloc unity in foreign policy not by his ideologists but by Peking; and Warsaw, if it goes the whole way in abandoning collectivization and inviting Western capital to its bosom, threatens to reject a principle commandment of Marx and to undo the Soviet work of a decade.

20. In the West, we should try to analyze these changes in terms of the evolution which was dimly foreseen in the policy of containment. We must recognize the depth and breadth of the crisis which confronts the communist world in 1957. We must also decide whether to lift our sights beyond a conservative goal of holding Soviet power in check to something more positive, whether in fact to expedite the processes within the communist world by propaganda and negotiation. We must also take careful thought how to avoid frightening a leadership which, in an hour of agonizing re-appraisal, and humiliation, enjoys more real power than it has ever had. For the great magnitude of its achievement has engendered tremendous pride. Moscow feels no need to admit failure in the past; she can expect her power to continue to grow; but it is merely a decline in the rate of that growth which is going to cause distress.

6^e^ PARTIE/PART 6

TCHÉCOSLOVAQUIE : COMMERCE
CZECHOSLOVAKIA: TRADE

549. DEA/11185-D-1-40

Note du chef de la 2^ième^ Direction de liaison avec la Défense pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Defence Liaison (2) Division, to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], March 14, 1956

CZECHOSLOVAK TRADE REPRESENTATION IN CANADA: "OMNITRADE"

An interdepartmental meeting was held on March 8, 1956, to discuss the Soviet request for a trade office in Vancouver, and the Czechoslovak trading company Omnitrade in Montreal. Representatives of the Departments of Trade and Commerce, Justice, Citizenship and Immigration, Finance, the Secretary of State, and of the R.C.M.Police attended, as did representatives of the several interested Divisions of this Department. The meeting's recommendation on the Soviet request will be put up to you shortly by Economic Division in the form of a draft memorandum to Cabinet.[104] The purpose of this memorandum is to seek your approval of the recommendation on Omnitrade.

2. Omnitrade, a subsidiary of a large Czech concern, was incorporated in Canada in May 1947 under federal law as an import-export company. After the communists seized control

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[104] Voir/See Document 532.

of the Czech Government in February 1948, they took over the parent company of Omnitrade. From information in the possession of the RCMP it is clear that in 1949 Omnitrade was used by the Czech authorities not only as a commercial organization but as an instrument to further their interest in other fields. For example, the manager of Omnitrade was advised to use the Czech diplomatic bag for forwarding certain information to Prague, and he was ordered to send a sum of money to the Czech Foreign Minister who was then in New York.

3. Between 1950 and 1954 Omnitrade was more or less dormant. Czech interest in it was renewed late in 1954, however, and by the end of 1955 we had received five applications for non-immigrant visas from Czechs who said they were going to work for the company in various capacities ranging from president to technician. Three of these applicants were granted visas and two of them have actually arrived in Canada. The remaining two applications have been held up pending an investigation of the company. One of these pending applications is that of the president, Ladislav Pospisil.

4. It was the opinion of the meeting that Omnitrade is quite likely to engage in espionage and other improper activities. It was considered, however, that if it were closed down, the only result would be an equivalent expansion of the Czech Consulate General in Montreal and the development of the same activities under consular immunity. Consequently, it was thought that provided certain conditions were laid down Omnitrade was the least dangerous form for Czech commercial representation to take.

5. Mr. Smith, representing Citizenship and Immigration, explained that his Department would be prepared to issue non-immigrant visas valid for one year but subject to renewal to Czech nationals who wished to come to Canada to work for Omnitrade. As they would be expected to stay here over a year, they would have to be able to meet our health requirements before the visas were issued, but our stage B requirements would be waived in these cases.

6. It was recommended, therefore, subject to your approval, that Mr. Ford call in Mr. Hruska, the Czech Minister, and inform him that we would be ready to facilitate the issuance of non-immigrant visas to the Czech staff of Omnitrade, provided that the following conditions were met:

(a) the Czech Legation should provide us with a list of the present staff of Omnitrade in this country, whether Czech, Canadian or other nationality, and advise us subsequently of any changes;

(b) Omnitrade should employ only three Czech nationals — if training in Czechoslovakia is necessary, then Canadian employees could be trained there — if they wish Ladislav Pospisil to come here, and if there are already three Czechs on the staff, then one should be withdrawn to make room for him;

(c) Omnitrade should continue to hold a federal charter and submit the required information annually to the Secretary of State Department; and

(d) Omnitrade should operate on ordinary commercial premises in Montreal (clearly separate from those of the Czech Consulate-General) so that all concerned would understand that it enjoyed no consular immunities or privileges.

7. We also recommend for your consideration, if you agree to Mr. Hruska being spoken to on these lines, that Mr. Ford should take the opportunity of telling him how dissatisfied we are with the unfriendly treatment accorded our staff in Prague by the Czech authori-

ties.[105] A further memorandum† is being prepared in this Division, and will be sent to you shortly, listing our grievances on this score.

G.G. CREAN

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550. DEA/11185-D-1-40

Note du chef de la Direction européenne pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division, to Under-Secretary of State for External Affairs

SECRET [Ottawa], May 25, 1956

RELATIONS WITH CZECHOSLOVAKIA

In accordance with instructions, I called in the Czech Minister yesterday in order to speak to him about the following matters:

(a) *Omnitrade*—I handed Mr. Hruska the attached aide-mémoire concerning the conditions under which we were prepared to authorize the functioning of the office of Omnitrade in Montreal. He seemed very pleased that a decision had been taken on this subject, raising a query only about the limitation on the number of Czech nationals. I told him that this meant three Czech nationals all told and that it was up to his government to decide which ones they wished to send. Specifically I told him that they would have to decide between the three gentlemen now waiting in Prague for visas and Mr. Bohm and Mr. Hebr now in Montreal officially attached to the Consulate. I repeated this provision several times, but I am still not entirely sure that he understood. The aide-mémoire is perfectly clear on this point and I think there can be no question of misinterpretation. I added that as soon as we received the official Czech concurrence with our note, together with an indication of the Czech nationals they wish to assign to Omnitrade, we would issue the requisite visas.

(b) *Invitation of the Canadian Wheat Board*—I then gave Mr. Hruska an aide-mémoire† extending an invitation to send a delegation to Canada this summer as guests of the Canadian Wheat Board in order to study Canadian wheat handling methods. A copy is attached. Mr. Hruska seemed overjoyed with this invitation and said that he was certain his government would be delighted to accept it.

(c) *Treatment of the Canadian Legation in Prague* — I told Mr. Hruska that in return for our co-operation here we hoped that the Czech authorities could facilitate the work of our Legation in Prague. I mentioned in particular the difficulties our Chargé d'Affaires had in securing local help, citing the case of an interpreter. Mr. Hruska expressed some astonishment but promised to draw this to the attention of his Ministry.

2. I mentioned also the difficulties in securing adequate office space and asked him if he could not impress on his government the need to do something for us. He replied that the situation was extremely difficult in Prague and that he would also mention this to his Ministry. I said that I knew the situation was tight but that all we wanted was to be treated on a non-discriminatory basis since we understood that some other missions had been given better treatment.

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[105] Note marginale :/Marginal note:
agreed. J. L[éger]

3. I drew Mr. Hruska's attention to the inconvenience caused to our staff in Czechoslovakia of having to apply every time they left and returned to Prague for exit and re-entry visas, whereas here, he and his staff were given multiple entry visas. Again he promised to look into this and then went on to mention that he would be grateful if we could settle the question of the status of the staff of the Commercial Attaché's office in Montreal. One or two of them wish to go to Czechoslovakia or the United States on vacation and he hesitated to ask for the passports back until their status had been clarified. I promised to look into this, but possibly Consular Division could talk to the appropriate officer in the Czech Legation requesting details of the individuals concerned.

4. Finally I mentioned the question of close surveillance of our staff in Prague, citing the example of Mr. Summers' tour of Czechoslovakia last summer which had been organized in consultation with the Czech Foreign Ministry, and during which he was subjected to most inconvenient police surveillance. Mr. Hruska immediately replied by saying that this was in fact a question that he had often thought of raising himself with us since he is subject to police surveillance here. He said, however, that he had decided in the interests of good relations not to mention it, and he would not like to follow it up now. When I pressed him for details of what exactly he objected to he simply laughed and said that he would not submit a complaint but he wished us simply to know that if we objected to the surveillance of Mr. Summers, he was subjected to the same kind of treatment here. I did not argue with him about this.

R.A.D. FORD

[PIÈCE JOINTE/ENCLOSURE]

Aide-Mémoire

Ottawa, May 24, 1956

The Canadian Government has given careful consideration to the Czechoslovak request for visas for Czechoslovak nationals wishing to work in an office of Omnitrade Limited in Montreal. The Canadian Government is willing to facilitate the issuance of non-immigrant visas to the Czechoslovak staff of Omnitrade, subject to the following conditions:

(a) the Czechoslovak Legation should provide the Department of External Affairs with a list of the present staff of Omnitrade in Canada, whether of Czechoslovak, Canadian or other nationality, and should advise the Department subsequently of any changes.

(b) Omnitrade should employ only three Czechoslovak nationals.

(c) Omnitrade should continue to hold a Canadian Federal charter and submit the required information annually to the Department of the Secretary of State.

(d) Omnitrade should operate on ordinary commercial premises in Montreal, and should be completely separated from the Czechoslovak Consulate-General.

R.A.D. FORD

551. DEA/11185-D-1-40

Note du chef de la 2^{ième} Direction de liaison avec la Défense pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Defence Liaison (2) Division to Under-Secretary of State for External Affairs

SECRET [Ottawa], June 25, 1956

Reference: European Division's memorandum of May 25, 1956.

RELATIONS WITH CZECHOSLOVAKIA

You will remember that the final paragraph of Mr. Ford's memorandum under reference, giving an account of Mr. Ford's conversation with the Czech Minister on May 24, touched on the question of the close surveillance exercised by the Czech police on the staff of our Legation in Prague. Mr. Ford having mentioned this, Mr. Hruska "immediately replied by saying that this was in fact a question that he had often thought of raising himself with us since he is subject to police surveillance here".

2. As it was my understanding that the R.C.M.P. do not maintain any surveillance of the Czech Legation in Ottawa, I sent a copy of Mr. Ford's memorandum to the Special Branch with a request for their comments of this remark of Mr. Hruska's. The Special Branch replied on June 8 that they had had no occasion to maintain surveillance of Mr. Hruska since his arrival in the country. If Mr. Hruska is in fact being followed, I can only suggest that his followers are either members of his own staff, or else possibly agents of Czech nationalist organizations in Canada.

3. I wrote again to the Special Branch on June 13 asking if they would have any objection to our telling Mr. Hruska, when a convenient opportunity next presented itself, that he was not under surveillance by the Canadian authorities and never had been. It was my thought that, if Mr. Hruska has been reporting to Prague that he is under surveillance here, the surveillance on our people there is intended at least partly as retaliation. If this were so, then anything we could do to convince Mr. Hruska that he is not being followed by the Canadian police would help to ease the position of our people in Prague.

4. The Special Branch have now replied that they have no objection to our informing Mr. Hruska that we have found no evidence to substantiate his remark. I must add that the Special Branch doubt that such a denial of his allegations would serve any useful purpose. From their knowledge of security services in general, and of the objectives of surveillance in particular, the Special Branch doubt that there is any relationship between any report which Mr. Hruska may have made to Prague and the surveillance of Canadian staff there.

5. A copy of this memorandum is going to Mr. Ford. I leave it to him to decide whether or not to speak to Mr. Hruska along the lines suggested. If he does so, the R.C.M.P. of course should not be mentioned by name, or brought into the discussion even indirectly.

G.G. CREAN

552. DEA/11185-D-1-40

Note du chef de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division,
to Under-Secretary of State for External Affairs

SECRET [Ottawa], August 30, 1956

CZECHOSLOVAK CONSULATE-GENERAL AND OMNITRADE

The Czechoslovak Minister recently called on me to discuss the Omnitrade office in Montreal. You will recall that we allowed the Czechoslovaks to re-establish the Omnitrade office subject to several conditions, one of which was that the staff should include only three Czechoslovak nationals. Mr. Hruska told me that it would be impossible for Omnitrade to function with only three Czechoslovak nationals since the main purpose of the Company was to introduce a large line of technical manufactured goods to the Canadian market. They hoped to do this by securing Canadian agents who would handle the goods, but they needed personnel thoroughly conversant with the goods in question, and furthermore, they needed to have spare parts and stocks held by the Company in Montreal. For this they would need at least six Czechoslovak nationals. Mr. Hruska pointed out that the large imbalance in Czechoslovak-Canadian trade in favour of Canada could not continue indefinitely, and that Czechoslovakia had a legitimate need to promote the sale of goods in Canada.

2. Since Omnitrade is only beginning to operate, we can not easily decide whether the volume of trade which it will be handling really necessitates an increase in its staff. In particular, it is impossible for us to tell whether Omnitrade needs three additional Czechoslovaks, or whether it could instead use Canadians, sending them to Czechoslovakia for a short course if necessary. Since the Czechoslovaks wish to sell a variety of manufactured goods in Canada, while we sell principally a single staple product, wheat, in Czechoslovakia, it seems reasonable that they would need a larger staff, either in the Consulate-General or Omnitrade, to promote their trade here than we would need in Czechoslovakia.

3. On the other hand, the size of the Czechoslovak diplomatic and consular staffs in Canada is already becoming excessively high. At the moment there are 55 Czechoslovak nationals attached to the Legation and Consulate-General in Montreal of whom 5 officers, 4 employees and 8 wives are with the former and 4 officers, 16 employees and 18 wives with the latter. (Of the 16 employees attached to the Consulate-General, two are awaiting transfer to "Omnitrade"). By way of contrast, in Czechoslovakia we have only 14 Canadian citizens at our Legation, consisting of 4 officers, 6 employees and 4 wives. Also, by way of contrast, it will be seen from the following table that Czechoslovak representation here is much larger than that of other countries with which our contacts are comparable:

COUNTRY	DIPLOMATIC Officers (excluding Canadians)	DIPLOMATIC Employees (excluding Canadians)	CONSULAR Officers (excluding Canadians)	CONSULAR Employees (excluding Canadians)	TOTAL
Brazil	5	5	3	2	15
Greece	3	4	1	0	8
Mexico	3	1	3	4	11
Poland	4	15	1	2	22
Sweden	6	2	1	4	13
Venezuela	3	4	6	2	15
Yugoslavia	3	7	1	1	12
Czechoslovakia	5	4	4	16	29

4. We have some evidence that members of the Czechoslovak Legation and Consulate, and of Omnitrade in its previous existence, have engaged in intelligence activities. As Czechoslovak representation is enlarged the resources of the R.C.M.P. are increasingly strained and the effectiveness of our counter-intelligence reduced. Moreover, it is more difficult for the RCMP to keep track of the Czechs since, unlike the Russians, they are not required to notify us of their travels. A further increase in the Omnitrade Staff would make the task of the RCMP (SB) even more difficult, although as the Omnitrade files would be subject to seizure and its members could more easily be arrested the Omnitrade staff might find intelligence activities more dangerous.

5. I wonder whether it might be possible to tie together the questions of limiting the staff of the Czechoslovak Consulate-General and of permitting an increase in the size of Omnitrade. We could suggest to Mr. Hruska that we might be prepared to allow an increase in the Omnitrade staff, but we hesitate to do so while the staff of the Consulate-General is so large. Although having four officers at the latter seems reasonable enough, we do not understand why it could not function with six or eight rather than sixteen Czechoslovak employees as at present. If the total number of Czechoslovaks (officers and employees) in the Consulate were to be reduced to ten or twelve over the next few months, we would be prepared to consider granting visas to a total of six persons to join Omnitrade. To avoid any argument as to whether or not we have the right under international law to limit the size of the Czechoslovak Consulate-General, this suggestion might be put to Mr. Hruska as an informal bargain: if the staff of the Consulate-General were reduced, we would permit an increase in the staff of Omnitrade.

6. I think it would be advisable to phrase the bargain simply in terms of a reduction in the Consulate-General versus an increase in Omnitrade, leaving to one side the question of the size of the Legation's staff. Since the latter is similar in size to our own Legation staff in Prague and since we will shortly be increasing ours by adding security guards, we could hardly criticize its present establishment *per se*. Lest Mr. Hruska simply suggest the transfer of the excess clerks from the Consulate-General to the Legation, however, we should point out that we are worried about the total size of the Czechoslovak establishment in Canada, since we are afraid that it may attract unfavourable popular criticism, with unfortunate consequences for Czechoslovak-Canadian relations. Accordingly we would not regard the transfer of the surplus clerks from Montreal to Ottawa as a suitable *quid pro quo* for our giving permission for an increase in the Omnitrade staff.

7. I should appreciate your views on this suggestion. If you agree, I could call in Mr. Hruska to put the proposal to him.

8. Consular, Economic, Protocol and D.L. 2 Divisions and the RCMP (SB) have given their approval to the approach suggested in this memorandum.[106]

R.A.D. F[ORD]

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553. DEA/11185-D-1-40

Note du chef de la Direction européenne pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division, to Under-Secretary of State for External Affairs

SECRET [Ottawa], October 1, 1956

CZECHOSLOVAK CONSULATE-GENERAL AND OMNITRADE

In my memorandum under reference (flagged on attached file), I recommended that we tell the Czech Minister that we would be prepared to grant visas to six Omnitrade officials, rather than the three we originally set as our maximum, but only on condition that the Czech Consulate-General in Montreal reduce the size of its staff. You suggested that this proposal be again examined by members of this Department, the Department of Trade & Commerce, the Department of Citizenship & Immigration and the RCMP (Special Branch), with particular reference to the possibilities of increasing Czech sales in Canada and the legitimacy of the Czech desire to maintain substantial commercial representation in this country to promote sales and service its exports.

2. In the view of the Department of Trade & Commerce, Canadian exports to Czechoslovakia are likely to consist almost entirely of wheat in the foreseeable future. Czech wheat purchases will be governed by Czech needs and the availability of suitable grades of Canadian wheat, and not substantially by the volume of sales which the Czechs are likely to make in Canada.[107] We cannot accept the argument that they *must* balance their trade with us, and Trade & Commerce do not think that a fairly tough policy on the size of Czech representation in Montreal is likely to affect their trade prospects.[108]

3. For the kinds of goods they are now selling or are likely to sell in the Canadian market, they would seem to need not additional technical personnel (Mr. Hruska's argument) but sales promotional personnel. They can meet their requirements by shifting personnel within their organization in Canada, by employing the services of Canadian firms and/or by sending their "businessmen" to Canada on brief visits to effect specific sales or specific servicing jobs.

4. In sum, there is no objection from Trade & Commerce to setting a limit, even below the present size, on Czech representation in Montreal, and there are good security grounds, as well as some political grounds, for so doing.

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[106] Note marginale :/Marginal note:
It occurs to me that there might be disadvantages in a policy which might encourage the Czechs to employ Canadians. The right kind of Canadians might not want to work for a Communist Government and the wrong kind of Canadian might be as dangerous as a Czech in such a position. A loyal Canadian might find himself intimidated — unless, of course, the R.C.M.P. wanted to put forward some of their own candidates for employment. J.W. H[olmes]

[107] Note marginale :/Marginal note:
Disagree R.M. M[acdonnell]

[108] Note marginale :/Marginal note:
Some sort of balance is surely desirable. J.W. H[olmes]

5. I recommend, therefore, that we call in the Czech Minister without delay to give him our decision. I attach, for your consideration, a draft note which might be handed to Mr. Hruska setting forth the terms under which we shall allow Omnitrade to operate in this country, and also our views on the total size of the Czech establishment in Canada.

6. In handing the note to Mr. Hruska, we should draw his attention to the fact that we have met his request on the matter of Omnitrade, even to the point of acceding to his request that the maximum number of Czech nationals be increased from the three which we had originally set to the six which he later requested, (although admittedly we are reducing his Consulate-General's staff by three as a consequence). I would propose that we also draw his attention orally to what we consider the excessive size of Czech consular representation in Canada in comparison with the consular representation of countries having much more consular business and much more extensive trade. (You will see from the attached table† that the Czechs now have 29 officers and employees in Canada. If they appoint 6 people to Omnitrade and keep the present 9 at the Legation, they can still have 7 at the Consulate-General, which seems plenty for legitimate business).

7. If he comes back to the argument that the Czechs need more people to promote and service sales in Canada, we should tell him that we welcome an increase in trade but that, for the type of trade which is likely to develop, we do not see the need for extensive sales and technical personnel. Sales promotional work can be done by a small staff and by engaging the services of Canadian sales agents. We are quite prepared to be as forthcoming as possible in granting visitors' visas for visits of Czech salesmen and technical people as long as the legitimacy of their visit in terms of trade is established.

8. In connection with the limitation of the size of the total Czech establishment in Canada, I think it would be desirable to draw Mr. Hruska's attention to the fact that Czech representation here exceeds their representation in the United States.[109] We can remind him that the size of the Czech staff, as well as that of the Soviet and Polish staffs, is drawing some unfavourable public attention in Canada, and a large staff is not conducive to better relations between Canada and Czechoslovakia.

9. This memorandum has been seen in draft by Protocol, Economic and Defence Liaison (2) Divisions and concurred in by them. May I have your approval for the course of action which I have outlined.[110]

R.A.D. FORD

[PIÈCE JOINTE/ENCLOSURE]

Projet d'un aide mémoire

Draft Aide Mémoire

Ottawa, October 1, 1956

In elaboration of its aide-mémoire of May 24, the Canadian Government is willing to facilitate the issuance of non-immigrant visas, subject to the usual immigration requirements, to the Czechoslovak staff of Omnitrade, subject to the following conditions:

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[109] Note marginale :/Marginal note:
limited by agreement [R.M. Macdonnell]

[110] Note marginale :/Marginal note:
Approved. The most likely question to be "why 22?" and the answer will presumably be included in the oral representations. R.M. M[acdonnell] 3/10/56

(a) The Czechoslovak Legation should provide the Department of External Affairs with a list of the present staff of Omnitrade in Canada, whether of Czechoslovak, Canadian or other nationality, and should advise the Department subsequently of any changes.

(b) Omnitrade should continue to hold a Canadian Federal charter and submit the required information annually to the Department of the Secretary of State.

(c) Omnitrade should operate on ordinary commercial premises in Montreal, and should be completely separated from the Czechoslovak Consulate-General.

(d) Inasmuch as Omnitrade will operate as a private company, members of the staff of Omnitrade will, of course, not be entitled to any diplomatic or consular privileges or immunities, nor will the offices of Omnitrade.

(e) Omnitrade should employ a maximum of six Czechoslovak nationals, to be chosen by the Czechoslovak Government, the total of six to be inclusive of any personnel already at the Czechoslovak Legation or the Consulate-General who might be transferred to Omnitrade.

(f) In view of the fact that the Canadian Government originally agreed to only three Czech nationals to be employed by Omnitrade, the additional three visas will be granted on condition that the staff of the Czechoslovak Consulate-General in Montreal be immediately reduced by three Czechoslovak nationals, i.e., that the additional three are replacements for three Czechoslovak nationals now serving with the Consulate-General.

(g) By March 1, 1957 the total of Czechoslovak representation in Canada (that is, all Czechoslovak personnel of the Legation, Consulate-General and Omnitrade) must be reduced to twenty-two officers and employees of Czechoslovak nationality in order that it may be more in balance with the size of representation of other countries with comparable interests in Canada. These representatives may be distributed amongst the Legation, the Consulate-General and Omnitrade as best suits the convenience of the Czechoslovak Government. If at a later date the Czechoslovak Government wishes to increase the size of Omnitrade beyond six, there would be no objection providing the Canadian Government were notified of this intention and providing that the staff of either the Legation or the Consulate-General were reduced so that the total figure of Czech representatives in Canada did not exceed twenty-two. If Czechoslovak nationals are transferred from the Legation or the Consulate-General to Omnitrade, they thereupon cease to enjoy diplomatic or consular privileges or immunities.

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554. DEA/7670-40

Le sous-secrétaire d'État aux Affaires extérieures
au sous-ministre du Commerce

Under-Secretary of State for External Affairs
to Deputy Minister of Trade and Commerce

CONFIDENTIAL Ottawa, December 18, 1956

In your letter of November 22† you requested a report on the complaint by Czechoslovakian officials over delay in granting visas for Omnitrade employees, commercial visitors and Legation staff to visit Canada.

As you undoubtedly know, the position with respect to Omnitrade employees and Czech diplomatic personnel has been under review for many months in order to determine what appropriate steps might be taken to keep the number of persons entering Canada for Omnitrade or diplomatic purposes proportionate with our commercial and political relations with Czechoslovakia. It was agreed at an interdepartmental meeting on September 13 which was attended by Mr. Hall of your Department, that an aide-mémoire be sent the Czech Legation defining the requirements which must be met by Omnitrade to ensure that its functions remain purely commercial. This aide-mémoire was handed to the Czech chargé on October 31 with oral comments to the effect that:

(a) The Czech Legation in Canada is, in our opinion, too large,

(b) the Czech Consulate General in Montreal, one of the largest in Canada, is also out of keeping with the relations between our countries,

(c) the simple transfer of Consulate General staff to the Legation will not be adequate.

For our part, the aide-mémoire agreed that if the conditions for Omnitrade and the points relating to diplomatic personnel were abided by, and if all the many previously submitted outstanding visa applications for persons in these categories were withdrawn and a limited number of them resubmitted in accordance with these conditions, the Canadian Government would attempt to process these new applications with despatch.

So far, no reply has been received from the Czech Legation, nor have the outstanding applications been renewed. For the moment, therefore, we consider that everything practical and in line with the interdepartmental decision has been done and that as far as Omnitrade and diplomatic personnel are concerned, the issue now rests entirely with the Czechs.

The problem of delays in approving applications for Czechoslovakian commercial visitors is a somewhat different one and we recognize that it has not been handled entirely satisfactorily. Partly because it is a relatively new field there remain difficulties to be solved in the interdepartmental administrative arrangements, and the necessity for ensuring that security regulations are fully complied with makes this category of visa applications a more difficult one to be handled. However, an interdepartmental meeting was held on Friday, December 7, at which Mr. F.P. Weiser and Mr. G.S. Hall of your Department attended, to consider what measures are required to simplify the visa procedure while maintaining necessary precautions to prevent any abuse of visas issued for legitimate commercial visits.

In the past there have been occasional delays which might have been avoided. Frequently such delays have been caused by inadequate information being provided in the original application. It just happens that a high proportion of these delays has involved Czech applications. This has made it necessary to ask our Legation in Prague for additional details, a time consuming process. You will be interested in learning I think that the total backlog of long outstanding cases has now been virtually wiped out, and that at the interdepartmental meeting on Friday administrative changes were agreed upon which should eliminate much of the delay attributable to the processing of applications in Ottawa. In addition, the R.C.M.P. have reported that it has now become possible for them to provide security clearances more speedily than in the past. (It has been noticeable from our Department that this has, in fact, been the case recently). Thus, one of the major causes for slow handling will have been removed.

While administrative delay has been the principal reason for the Czech complaint, many of the difficulties encountered have been the fault of the Czechs themselves; to the extent that we have been responsible, however, we do wish to apply ourselves and we think that a marked improvement should be evident in the very near future and that delays will be reduced to a minimum.

I hope that this letter will provide you with an up to date picture of the situation to which both the Czechs and our Legation have referred. I hope you will agree that the situation while serious has not warranted the criticism which the Czechs have levelled, and that for our part the Canadian departments concerned in these matters are moving towards a satisfactory solution of local problems. If there is additional information which will be useful to you, I will be very glad to provide it.

I would also like to thank you for your comments regarding probable Czech intentions as to the impending payments due for wheat credits granted them last year; I am sure this information will be of considerable interest to officials in this Department.

A.E. RITCHIE
for Under-Secretary of State
for External Affairs

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555. DEA/7670-40

Note de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from European Division
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 16, 1957

VISAS FOR CZECH LEGATION AND OMNITRADE

You will recall that, on October 31, we handed to the Czechoslovak Minister in Ottawa an aide-mémoire (flagged on attached file) setting forth the conditions under which we were prepared to allow the Czechs to establish an office of their state trading agency Omnitrade in Montreal.

2. At the same time, we told Mr. Hruska orally that we considered the total Czech establishment more than large enough. We suggested that he present us with a consolidated list of the staff he would like to have at the Legation, the Consulate-General in Montreal, and Omnitrade — bearing in mind our conditions — so that we could process the several applications for visas which have been held up at our Legation in Prague pending a satisfactory overall arrangement.

3. That list† has now been presented to us. A copy of the covering note† from the Czech Legation, the list, and a letter† concerning Omnitrade are attached to this note. You will see from the draft reply† that the Czechs have not complied with either our written or our verbal conditions and are in fact proposing a net addition of six to their present establishment. The net additions are marked with an asterisk on the list.

4. If you agree with the draft note in reply, I would suggest that I call Mr. Hruska in to discuss the matter. I could start off by thanking him and the Czech Government for the expeditious and satisfactory solution found for the Jakubec case, and expressing the hope that, on purely humanitarian grounds, there would be no difficulty in obtaining exit permits for the children now that the parents had left Czechoslovakia.[111] I could then refer to the matter of the outstanding visa application for Omnitrade and Legation officials. In handing him the note in reply to his note of December 28, I would explain that it is up to him and the Czech authorities to revise their establishment in order to comply with our conditions.

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[111] Pour un compte rendu complet des problèmes de M. Jakubec avec le gouvernement de la Tchécoslovaquie, voir *The Province*, Vancouver, August 23, 1958.
For a complete account of Jakubec' difficulties with the Czechoslovak Government, see *The Province*, Vancouver, August 23, 1958.

It is worth nothing, for purposes of comparison, that we have a total of only ten Canadians employed at our Legation in Prague.

5. One point which we should keep in mind is that we may, within the next month or so, be seeking visas for security guards. It is conceivable that we shall run into difficulties on this count because of our insistence on holding the line on the Czech establishment here. Nevertheless, it would be best in my opinion, considering the already long delay in finding a solution to the Omnitrade problem, to press ahead and give the Czechs the attached note. This would at least help to remove the suspicion that we are deliberately stalling by means of administrative delay. It would be most unwise on all counts to retreat from the position we took last October — that the Czech establishment of thirty is more than large enough for their legitimate business — and we should therefore not accede to a request which would give them an establishment of thirty-six. But I think we should state our case frankly and without delays. If they should create any difficulties over visas for security guards, we should fight that case on its merits. We would be on comparatively good ground, considering that our establishment in Prague is so much smaller than the Czech one here.

6. May I have your approval, please, for my proposed course of action.

JAMES GEORGE

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556. DEA/11185-D-1-40

Le secrétaire d'État aux Affaires extérieures au ministre en Czechoslovaquie

Secretary of State for External Affairs to Minister in Czechoslovakia

TELEGRAM S-36 Ottawa, January 18, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Our letter S-10 January 10/57.†

OMNITRADE AND VISAS FOR CZECH OFFICIALS

Czech Minister was today given reply to Legation's note† of December 28. Note† reiterates our position in detail and advises that we shall process outstanding visa applications quickly provided total of Czech employees in Canada is kept to thirty, the number existing on October 31. Note being sent by bag from London.

Before handing Hruska the note, we (a) expressed our pleasure at outcome of Jakubec case and hope for the release of the children (b) explained desirability of keeping Czech personnel to thirty for sake of good Czech-Canadian relations (c) assured him we were not trying to curtail Czech government business in Canada (d) expressed hope for expansion in Czech trade with Canada (e) assured him of rapid processing of visas once we had replacement details in accordance with our conditions.

Hruska claimed to have misunderstood our previous aide-mémoire and verbal explanations of our position. Misunderstanding may be genuine. You need take no action unless asked for clarification by Czech authorities.

7e PARTIE/PART 7

POLOGNE
POLAND

SECTION A

SITUATION POLITIQUE
POLITICAL SITUATION

557. DEA/8522-40

Le chargé d'Affaires de la légation en Pologne
au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires, Legation in Poland,
to Secretary of State for External Affairs

DESPATCH NO. 200 Warsaw, April 18, 1956

CONFIDENTIAL

EFFECTS OF TWENTIETH CPSU CONGRESS IN POLAND

The new orientation given to Party policy and practices at the Moscow Congress has produced a flood of self-examination, confessions, criticism, calls for change — and a large amount of confusion as well — in Party and Government circles, and among the intelligentsia in Poland during the last six weeks. Those who felt guilty of having indulged in the cult of personality — including the First Secretary of the Central Committee — expressed regret and promised to amend their ways — that is, those who were powerful enough to escape being sacrificed as scape-goats — while those who had genuinely suffered from the previous state of affairs lashed accusations at everybody and everything, including, in some instances, the Party.

2. It is worth noting that the Poles have not yet attacked one of their leading men — whether dead or alive — for having built up a personality cult for himself. The most convenient one would be Beirut, but judging from the tributes which continue to be paid to his memory in the press it is not likely that he is slated for "de-sanctification". In any case, Beirut's personality, a rather plain and colourless one, would not lend itself too much to a serious accusation of this sort.

3. As time goes by, however, one realizes that the whirlpool of confessions and accusations has been pretty much confined to the upper crust of Polish Communist society, and if one asks the man in the street whether he has hopes that things will change now his sullen look and negative head-shaking makes it clear that the people have remained aloof and consider all this Moscow-patterned agitation with a sceptical eye.

4. There are rumours that the rulers of the country will allow a greater degree of Parliamentary democracy, but so far this has only amounted in practice to urging members of the Sejm to have more meetings and debates. An article in *Trybuna Ludu* on March 12 accused the Sejm of not implementing its tasks "as an authoritative body through which, according to Article 2 of the P.P.R. Constitution, "the working people wield State authority". It went on to state that the Sejm was the "supreme body" in the country, and asserted that a Sejm which is functioning properly "will be the essential factor which will introduce democracy in our life and will help improve and accelerate the socialist construction in our country".

It is true that Ochab, the new Communist boss, has not shown a very strong hand yet, but it is most doubtful that the Party would agree to relinquish some of his dictatorial control in favour of a legislative body which might grow ambitious and threaten those in power. Socialism has hardly taken hold in this country, and it would indeed be risky to leave its future promotion in the care of the Sejm. As a matter of fact, a member of the Politburo and Vice-Marshal of the Sejm stated recently that the present political structure in Poland "ensured to the masses more participation in ruling the country than the so-called Parliamentary system."

5. It may be of interest here to review the points of discontent which have been voiced chiefly through the press. The death-knell of Stalin's cult was sounded in Poland in an editorial in *Trybuna Ludu* on March 10. (My Despatch 133 of 13 March†). This was followed by an article by Morawski, a Secretary of the Central Committee, published on March 26 in which he drew the lessons of the Twentieth Congress of the C.P.S.U. for Poland. The article was along the lines of the *Trybuna Ludu* editorial, but emphasized particularly the justification for a "Polish path to socialism". Similar considerations, duly enlarged upon, were formulated by Ochab in his speech of April 6. (My despatch No. 187, 9 April†).

6. The degrading of Stalin was not accepted without reluctance, of course, particularly among the young Communists. Bitter letters appeared in the press which veteran Party journalists did their best to answer. *Pro Prostu* (In Plain Words), a students' newspaper, carried a letter entitled "Am I a Flag Flying in the Wind?" in which the writer took issue with the *Trybuna Ludu* editorial of March 10. A member of the Communist Youth (ZMP), he had believed in Stalin and defended him against many of his friends, and now he was subjected to their scorn and sarcasms. Other articles such as "We are Craving for the Truth" and "Where is the Truth?" showed how confused and sometimes irritated some members of the Party were. So far, no very convincing answer has been given, and the Communists are still smarting under the blow.

7. Prime Minister Cyrankiewicz himself joined in the display of apparent liberalism in a speech to the Conference of Architects held in Warsaw on March 27. On this occasion he gave a sort of go-ahead to creative artists in seeking new freedom, although it must still be a "socialist" freedom. He said he stood for "the dynamics of modern, socialist building with the most essential qualities of Polish tradition". "I wish to emphasize once more," he added, "that neither the Party leadership nor the Government desires to lead Polish architecture by the hand". He then blamed the "omnipotence of Stalin" who had "usurped the role belonging to the nation, the role belonging to the Party", for the distortions of the last twenty years.

8. Architecture is a particularly sore spot with the Poles who cannot forgive the imposition of the alien Palace of Culture on the otherwise soft classical Warsaw skyline, and the erection under Party directives, of entire new districts which are a failure from the standpoint of both aesthetics and functionalism. At the same Conference the Chief Architect of Warsaw confessed having erred in basing the reconstruction of the modern part of the city on directives "from the top". "I have applied these methods because I thought them correct, that I was thus helping the cause of building Warsaw. Now I see that this method was not only incorrect but also that its application was quite unnecessary. Do I clearly perceive the causes, results, and a new path for the future? No, I do not. But one thing I know for certain — that the methods were bad, that they harmed not only our construction work but that they also broke men, their sincerity, selflessness, the boldness of their revolutionary progressive thought, their desire to criticize and help in finding the right path".

9. One of those who attended the Nineteenth Session of the Council of Culture and Art in the last week of March threw the ball at the Palace of Culture with a "strike one" against the Russians. "We should not build such elephantine giraffe-like constructions as the Palace of Culture and Science which is a caricature, and not socialist art. We all know that, and everybody thinks so now". His words were printed in the cultural weekly *Przeglad Kulturalny.*

10. At the same session, one Professor Kott referred to "the process of the dying ideology and literature, which ensued after 1949 and which so strongly and painfully affected our creative centres". He praised the attempts made in recent times by a few writers such as poet Adam Wazyk who "fought for the liberty of expressing their own thought" and pointed out that "in this process of revival, certainly not devoid of mistakes, but in its basic line creative and refreshing, we have not received aid nor encouragement from the Party leadership". Another speaker recalled that the former editor of *Nowa Kultura* was "swept out of office" for allowing Wasyk's "Poem for Adults" to be printed in the review; he called for the editor's reinstatement. As far as is known, this has not been done, but new poems in the same vein as "Poem for Adults" have appeared under Wasyk's signature in *Nowa Kultura* lately. I attach translations† of some of them hereto.

11. The meeting reached the conclusion that the cultural policy of the Party had interfered in creative activity by sanctioning only work which was of assistance in reaching its goals. It was imperative that the artist be granted freedom to depict reality around him and be given complete confidence. More recently a writer asserted in the *Cultural Review* that "the submission of culture to political directives is justified only in moments of great upheaval but is fatal under normal conditions". He claimed that "for the future of socialist culture the scientist must not be allowed to submit to anybody in his thinking, whether the Committee, the Minister, the Emperor or the Lord".

12. Along with those critical appraisals of the status of fine arts and literature, several attacks were made in the press against various agencies, either for doing nothing or doing things wrongly. Vigorous denunciations of the Ministry of Justice and the security apparatus have appeared, together with demands for the liberation and rehabilitation of the large number of people who have been unjustly thrown into prison. This, the students' paper asked, should be done more rapidly, with proper clearance of unfounded criminal records and in a public manner, so that their honour be restored to the people involved. An appeal was made particularly in favour of the former soldiers of the Home Army, (A.K.) the London Government underground army which staged the Warsaw uprising in 1944. Those soldiers, although they were granted an amnesty in 1945, have been ostracized and discriminated against by socialist groups and organizations. The same article demanded the revision of history text books on the role of the Home Army. The five years of underground fighting against the Germans are summed up in the leading textbooks as follows: "According to the reckonings of the imperialists, the Home Army was to be used against the USSR in order to restore land-owner rule in Poland".

13. The further curbing of the power of the secret police has also been demanded and the suggestion made that its staff be cut by one half. Referring to the changes which should take place in this field, one writer called for an alert public opinion: "It would be unreasonable", he said, "to expect that the revolution will be made for us by the Politburo or the Central Committee. Nobody will make this revolution for us."

14. Another institution which has come repeatedly under fire recently is the Sejm, as already stated above. The author who criticized the inactivity of Parliament was taken to task by another journalist in the following manner: "I am sorry that Jerzy Rawicz, the author of the appeal for an industrious Sejm and long time parliamentary reporter, has

completely missed the essential problem, that is, how a parliament should work in a people's State where the Party is the leading political authority. Let us be frank about it: in this sphere no country building socialism has implemented the principles of a People's Parliament and there is no reason to make a secret of the fact that we too have failed to do it." This confession would be impressive, at first sight, but the writer qualifies it by adding: "The resolution of the Politburo (which a year ago called for increased activity by the Sejm) is evidence that this matter is the concern of the Party and the article itself in *Trybuna Ludu*, in spite of its author having missed some points, is evidence that this matter continues to be most pressing."

15. The remedy suggested, however, was in selecting members along vocational groups rather than geographical areas. There was no suggestion towards restoring fully to the Sejm — over the heads of the Politburo-controlled Executive — its function which, according to the Constitution, is to "implement the sovereign rights of the nation by passing laws and supervising the activities of other organs of authority and State administration."

16. The trade unions also have had their whipping. A well known radio broadcaster, Edda Werfel, stated blankly in the course of a programme entitled "In Our Opinion": "I should very much like to know what the trade unions are doing in our country. In our opinion trade unions should decide, whether they are some unnecessary obsolescence or whether they are an institution needed by the working class. In this case the Central Trade Union Council must thoroughly and quite soon change its methods and, what is more important, the essence of its work." A reply appeared in the press in which the critic was taken to task for talking on a subject of which she had no knowledge.

17. A particularly courageous attack was the one against the special stores, commonly called yellow curtain stores, where influential members of the Party, high Government and Armed Forces officials exclusively, are able to buy food and manufactured articles, including imported merchandise and Polish export goods. In an article entitled "Behind the Yellow Curtains" (copy enclosed) the student newspaper *Po Prostu* denounced the scandal of these special stores which are overflowing with supplies for privileged people, while the ordinary people have to queue up for hours before half-empty shops. The denunciation has been the talk of the town for the last few weeks, but so far no step appears to have been taken to change this state of affairs.

18. Bureaucrats and planners have also taken a beating — that is, on paper. A prominent writer in reviewing bureaucratic methods had this to say, among other things: "Edda Werfel wrote two articles for *Trybuna Ludu* on technology not in construction but in obtaining the necessary permission for construction. Your hair stands on end when you read these articles. We have bred a special race of people in our country. In ancient Egypt there were specialists in interpreting the will of holy animals, cats, crocodiles or bugs. What a nice thing to do. How much more difficult it is to understand the wishes of a petty official who establishes regulations for investments. One has to study hard for years to learn to avoid all the difficulties thrown in the way of people who wish to construct something in People's Poland." The author then ridiculed official claims that a rise in living standards had taken place in recent years in Poland, and called for the cleaning out of the State Economic Planning Commission, the most authoritative body on socialist planning in this country. "They should be told: we have rejected capitalism and we will never return to it. We are on our way to a just country of socialism, but we have found a wilderness of paper bureaucracy on this road. An intrusive interference of offices, voicing inflated prosperity, hampering human effort, facilitating collective swindles — this is not socialism. This is a terrible disease, hard to remedy."

19. The sort of turmoil which the above debates represent would have more significance if it had not been inspired by the example set at the Moscow Congress. Nevertheless, it seems certain that the Poles — particularly those who belong to cultural circles — were glad to seize upon the occasion to drive a number of points home. Some of the attacks against the Party went further, it seems, than the ones made in Moscow, and, if only by indirect implication, came close to amounting to a condemnation of the Régime. This might be a healthy and hopeful sign except for the fact that none of the critics dared pass the barrier of the socialist concept. They all claimed more freedom and equality, as long as this served the socialization of the country. Not one formally challenged the validity of the system itself, and the exclusive control of the Party over the nation. It is as if what was desired basically was a régime not unlike the absolute monarchic or oligarchic systems of the past under which people could operate with a certain freedom within their respective profession and occupation, but were not allowed to question the authority in power, or the system of government. This political concept may perhaps be acceptable to the Russians who have never known modern democracy, but it is more than doubtful that it can ever be suitable for Poland, which has long been directly influenced by Western liberal democratic ideas.

20. It is perhaps worth mentioning that no demand has been voiced for the release of Cardinal Wyszynski and other bishops still under arrest, although it appears more and more evident that the Government is most embarrassed with the situation and may be considering some relaxation in this field. About 60% of the members of the Party are church-goers and therefore cannot escape a certain feeling of guilt in this respect.

21. Another characteristic is that the agitation so far has been chiefly the work of a number of prominent writers and journalists, but that it has not been accompanied by any noticeable unrest among the people nor has it given the man in the street new hopes. From this standpoint the whole affair appears somewhat superficial.

22. The inescapable fact remains of course, after all due credit is given for the boldness and frankness of some of the charges, that this country remains completely under the control of the Soviet master. There may be further interesting manifestations of a long-restrained desire to speak out and give a piece of one's mind, but any serious attempt at changing things is bound to founder on the rock of Soviet control if it goes beyond what is permissible. It is this realization, of course, which induces one to take a sober view of the value and possible effects of the stir-up described above.

J.L. DELISLE

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558. DEA/8522-40

Le chef de la Direction européenne
au chargé d'Affaires de la légation en Pologne

Head, European Division,
to Chargé d'Affaires, Legation in Poland

Ottawa, June 8, 1956

Dear Jean-Louis [Delisle]:

I should like to thank you for your very interesting and informative despatches on developments in Poland and especially for your reports on the results of the C.P.S.U. Twentieth Congress in Poland. They have been most useful for our studies on developments in the satellites, particularly for the preparation of our policy paper on this subject which will be ready shortly.[112] You will have noticed, no doubt, that we included one of your recent reports in Cabinet Documents.

I have followed developments in Poland with particular interest as I feel that the prospects of profound political changes in Poland are perhaps better than in the other satellite countries. I was interested in two recent articles on this subject. R.H.S. Crossman of the *New Statesman and Nation* visited Poland recently and reported a spirit of confidence among top Polish Party members that a system of democratic freedom could be built inside a one-party state. His article, which appeared in the May 5 issue, is being photostated and we will be sending you a copy. Walter Lippman stated recently, "The changes in Poland are, I have been told by reliable observers, so impressive that they are beginning to look like a change of the political régime". Do you think that these statements are well-founded?

I should appreciate it very much if you could send us a brief analysis of the internal political situation in Poland and of Poland's prospects of attaining some form of independence both in its internal affairs and in its external relations with the Soviet Union and Western countries, possibly along Titoist lines.

With best regards,

Yours sincerely,

R.A.D. FORD

P.S. Since writing the above, the photostated copies of Mr. Crossman's article in the *New Statesman and Nation* have been received and I enclose herewith a copy.

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559. DEA/8522-40

Le chargé d'Affaires de la légation en Pologne
au chef de la Direction européenne

Chargé d'Affaires, Legation in Poland,
to Head, European Division

Warsaw, June 26, 1956

Dear Bob [Ford]:

I am grateful for your letter of June 8 and the appreciation and information it contained. I am sending a despatch[113] by this day's bag in which I offer some views on present prospects concerning "liberalization" in Poland; I hope they will be useful. On the whole I am not optimistic. While Soviet presence is not much visible in Warsaw yet it does loom over the country politically and I am afraid this is a factor which limits any Polish desire for independence drastically. It is not that the Polish people like the Russians any more than they ever did, but it is not clear to them what they would gain by attempting to throw off the yoke — a relatively bearable one, in any case — as long as they are encircled by satellite states with no hope of support from the West.

I have seen some statements by Crossman on his return to England from Poland and have found them definitely too optimistic. I am convinced that the concessions are chiefly of a tactical nature, although they may have been inspired by the pressure of a sort of passive resistance on the part of the people. I will admit that it might be difficult for the Party rulers to return to repression, although the possibility of such a shift at a later date is not to be completely ruled out.

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[112] Voir/See Document 522.

[113] Non retrouvé./Not located.

There are rumours of a rift at present between Ochab's clique, which would be in favour of slowing down liberalization, and Cyrankiewicz's clique, which would wish to push it further ahead. If the rift is real the outcome may prove illuminating.

With best regards.

JEAN LOUIS [DELISLE]

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560. DEA/8522-40

Le chargé d'Affaires de la légation en Pologne au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires, Legation in Poland, to Secretary of State for External Affairs

TELEGRAM 115 Warsaw, June 28, 1956

CONFIDENTIAL. IMMEDIATE.

RIOTS IN POZNAN

We have been informed by United Kingdom Commercial Secretary who is at Poznan fair that shortly after noon riots broke out in Poznan. It is thought to have started in Stalin Steel Works and spread through city. A Russian flag was torn down and local U.B. (secret police) headquarters stormed. It is reported tanks of unknown nationality appeared in the streets. Shots were fired, it is not known if anyone was killed or injured. Telephone lines to Poznan are now down or cut. Scheduled air flights cancelled.

[J.L.] DELISLE

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561. DEA/8522-40

Le chargé d'Affaires de la légation en Pologne au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires, Legation in Poland, to Secretary of State for External Affairs

TELEGRAM 119 Warsaw, June 29, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: My telegram 115 June 28.

ANTI-RÉGIME RIOTS IN POZNAN

Reports from various sources point to the seriousness of the fairly widespread character of the anti-régime anti-Russian manifestation in Poznan all day yesterday and up to early hours of this morning. Official communiqué issued by the Polish press agencies refers to "serious" riots which it attributes to agents of the "imperialistic and reactionary underground". Communiqué acknowledges assaults on public buildings and some persons killed. This is confirmed by Warsaw radio report quoted by the BBC stating that 38 were killed and 270 injured including soldiers and policemen. Rising was quelled with use of machine guns, tanks and a few planes. Prime Minister and members of the Central Committee Party rushed to Poznan where situation is under control and conditions normal. Communiqué holds revolt had characteristic of broad and well prepared provocation by the "enemies of the people of Poland". It calls upon the special vigilance of all working people and all patriotic elements of the nation.

The fact that the trouble was started by factory workers dissatisfied with wages and working conditions is significant. The spirit of the uprising was most likely stimulated by atmosphere created by the international fair with the presence of many foreigners and displays of foreign and Polish consumer goods not available to the Polish people. Fair was ordered closed as from time when rioting began and thus has ended three days before scheduled. It is probable that events were more spontaneous than official communiqué would have one believe. Events have made deep impression upon Polish people.

[J.L.] DELISLE

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562. DEA/8522-40

Le chargé d'Affaires de la légation en Pologne
au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires, Legation in Poland,
to Secretary of State for External Affairs

TELEGRAM 121 Warsaw, June 30, 1956

CONFIDENTIAL. IMPORTANT.
Reference: My telegram 119 June 29.

POZNAN RIOTS

Contrary to my statement at the end of telegram under reference, Poznan fair was reopened to the public on Friday noon after 24 hour closure. It is reported street shooting broke out again Friday evening. Large number of tanks posted in and around the city. Road blocks and tanks guarded main entries to city. Situation back to normal today. Some reports have it that workers who demonstrated on Thursday received their arms from infantry and police. This is somewhat impossible and eye witnesses to whom I have spoken have all said that soldiers and militia men were friendly crowds. Anti-Russian slogans were shouted by crowd in streets. Curfew was imposed last night from nine p.m. till four this morning.

Situation quiet in Warsaw but people are deeply moved by the event and in sympathy with Poznan workers.

[J.L.] DELISLE

563. DEA/8522-40

Le sous-secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord

Under-Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council

TELEGRAM SS-49 Ottawa, July 9, 1956

SECRET. IMPORTANT.
Reference: Your telegram 1053 July 5.†
Repeat London, Paris, PERMIS New York, Washington (Routine) (Information).
By Bag Warsaw, Moscow, Prague, Belgrade, Bonn.

POZNAN RIOTS

1. The principal purpose of our telegram SS-40 of July 4† was to find out whether Poznan riots could be discussed immediately in Council with the following points in mind:

(1) to exchange information on the facts received about the uprising;

(2) to determine whether uprising should be exploited for propaganda purposes;

(3) to discuss whether related protests might be made in NATO or in the UN on violation of human rights, etc.;

(4) to discuss the probable impact on liberalization in the satellites and on Soviet-satellite relations.

2. We have repeated telegram 125† from Warsaw containing our most complete information on riots apart from press reports. This does not necessarily represent our views as a return to a policy of repression in Poland seems to us not impossible, depending of course, on the course of events in the next few weeks.

3. There has been strong public reaction in Canada against Polish authorities for repressive measures taken following riots. The Canadian Polish Congress has expressed indignation in telegrams to Prime Minister and UN requesting strong government protest and suggesting delivery of food to Poland. A protest meeting to which all ethnic groups representing iron curtain countries have been invited is scheduled for this week in Toronto. Subject has also been raised in the House of Commons.

4. We are not in favour of direct protest or shipment of food because of Polish reaction to USA action, but we believe that no precipitate steps should be taken by any NATO countries before full discussion in the Council. Mr. Pearson's telegram 920 of July 6† from London refers.

5. I think therefore that there would be an advantage in having the Poznan riots discussed separately and rather urgently in the Council before the more general discussion on the satellites later.

6. We also think riots present excellent opportunity for a stronger propaganda line, e.g., in CBC-IS broadcasts.

[J.] LÉGER

564. DEA/8522-40

Note du secrétaire d'État aux Affaires extérieures pour le premier ministre

Memorandum from Secretary of State for External Affairs to Prime Minister

CONFIDENTIAL [Ottawa], July 10, 1956

POZNAN UPRISINGS

I should like to refer to the telegram of July 4† and the letter of July 6† addressed to you by the Canadian Polish Congress, in which the Canadian government has been asked to intervene on behalf of the Poznan strikers and demonstrators and also to arrange for the delivery of food to Poland.

2. I should like to refer also to a letter† received from Mr. Donald Carrick stating that he has been invited to attend a meeting called by the Canadian Polish Congress on July 11 in connection with the Poznan uprising, and suggesting that official recognition be accorded to this meeting.

3. As you know, statements made by the United States on this subject have been strongly criticized by the Polish authorities, and an offer of food to Poland has been rebuffed. Consequently, it seems unlikely that direct intervention by Canada would be successful, and such action would undoubtedly be construed by the Polish government as unjustified interference in the domestic affairs of that country.

4. I therefore attach for your approval, a suggested telegram† to the Canadian Polish Congress expressing sympathy with their concern over the fate of the Poznan workers and mentioning the inadvisability of direct intervention on the part of the Canadian government in this matter.

5. For the aforementioned reasons, you will probably not wish to accord official recognition to the meeting of the Canadian Polish Congress. You may however wish to send a personal message of greetings to the Congress and I therefore attach a suggested text† for such a message, which might be read on your behalf by Mr. Carrick.

L.B. PEARSON

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565. DEA/8522-40

Le secrétaire d'État aux Affaires extérieures au représentant permanent auprès du Conseil de l'Atlantique Nord

Secretary of State for External Affairs to Permanent Representative to North Atlantic Council

TELEGRAM SS-57 Ottawa, July 12, 1956

SECRET. IMPORTANT.

Reference: Your telegram 1080 of July 11† and my telegram SS-49 of July 9.
Repeat London, Washington, Paris (Routine) (Information).
By Bag Belgrade, Warsaw, Prague, Moscow.

POZNAN RIOTS

It is still too early to say with certainty what effect Poznan will have on liberalization in satellites and on Soviet-satellite relations. News reports of last few days, however, give grounds for some optimism:

(a) "Imperialist instigation" of riots has been played down, and economic grievances of workers have been recognized as legitimate, e.g., repayment of unjustly levied taxes;

(b) Emphasis has shifted from wickedness of workers to wickedness of trade union and party leaders in Poznan for losing touch with workers and, by implication, failing to forestall riots by recognizing and dealing with legitimate demands;

(c) Dismissal of minister of motor industry, reputedly very unpopular with factory workers;

(d) "Liberal" faction led by Cyrankiewicz reportedly is prevailing over "tough" faction led by Ochab.

Possible evidence to contrary is one report that demonstrators will be tried by special commission instead of regular courts, though it is not entirely clear whether special commission will actually conduct trials or merely report to government and Party.

2. We think that local trade union, Party and plant officials may take major blame for failure of régime to satisfy workers, though leaders of demonstration can also be expected to receive severe sentences. So much has been said about liberalization in Poland — curbing powers of secret police, return to legality, better deal for people — that it may be difficult to return to more repressive methods of control. Many government and party leaders may have recognized long-term ineffectiveness of coercive techniques and be genuinely convinced that economic and political incentives are necessary to improve popularity of régime and efficiency of system.

3. Another unknown but important factor is reaction of Soviet leaders. If there is faction which thinks the mellowing process has gone too far and too fast, it will certainly point to Poznan riots as example of dangers of new look. It is difficult to estimate relative strengths of conservative and liberal factions, and whether liberal faction is strong enough to "ride out" such temporary set-backs as Poznan riots. There is analogy, though, that East Berlin riots may have been contributory to Beria's downfall.

4. Effect on Soviet-satellite relations will be governed by:

(a) Moscow's estimate of ability of satellite régimes to keep satellite discontent within bounds, which ability is probably high. Moscow could not countenance widespread and overt expression of discontent lest this weaken strategically important satellites.

(b) Moscow's estimate of role of "imperialist agents" in fomenting riots. While we realize ridiculousness of assertion, Moscow may harbour suspicions that this was at least contributory factor.

(c) Reaction in West to Poznan riots. If Poznan leads to renewal of irresponsible talk about imminence of overthrow of Communist régimes and "liberation" of satellites, Moscow's worst fears will be confirmed, to obvious detriment of liberalization in satellites and of loosening of Soviet control over Eastern Europe.

5. We should not lose opportunity to express disapproval of methods used in suppressing legitimate demonstrations, extend sympathy for Polish people and point up callousness as well as inefficiency of Polish Communist régime. We should not, however, imply that overthrow of present régimes or forcible detachment of satellites from Soviet Union forms any part of Western policy.

6. It is our opinion that co-related protests should not repeat not be made by NATO countries, and that NATO countries should not raise matter in United Nations, as this is likely to do cause of liberalization and Soviet-satellite relations, as well as East-West relations, more harm than good.

7. You may use this telegram as basis for discussion in Council. You may also wish to draw to Council's attention Minister's statement in House, sent to you in repeat of telegram SS-51 of July 9 to Warsaw.[114]

566. DEA/8522-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs

TELEGRAM 1119 Paris, July 16, 1956

SECRET. IMMEDIATE.
Reference: Your telegram SS-57 July 12/56.
Repeat London, Washington, Paris.

POZNAN RIOTS

The Council discussed this subject at a special meeting Friday afternoon called at our request. I made a statement on the basis of your telegram under reference drawing special attention to the remarks made in Parliament on July 9 by Mr. Pearson.

2. The USA representative, in thanking us for the information given, said that, broadly speaking, he agreed with the Canadian assessment. He added, however, that *pari passu*, the USA reaction to Poznan was similar to that regarding Khrushchev's speech, e.g. that these events presented an excellent opportunity to exercise psychological pressure on the satellites through the use of propaganda applied on the broadest possible front. The USA government realizes, as had been pointed out by some permanent representatives in Council, that propaganda activities should not be overdone but at the same time it attached great importance to NATO countries expressing their sympathy and understanding to the Polish people who had dared challenge Communist oppression. Mr. Perkins said, in this connection, that Washington greatly appreciated the statement made by Mr. Pearson in Parliament. He said that on July 2 the USA Senate adopted a resolution expressing admiration and sympathy for the Polish people. At the same time, the USA authorities are encouraging the writing of newspaper articles by eye-witnesses in order that the world at large may have full knowledge of what transpired. A great deal of information was being given on the events by the Voice of America. He said that the USA government also agrees with the Canadian position that nothing would be gained in raising this matter in the United Nations.

3. As for the significance of the Poznan riots and particularly their effects on other satellite countries, the USA view was that they doubted that these events will affect to any great extent the trend towards liberalization. The reason being that the riots took place as a result

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[114] Voir Canada, Chambre des Communes, *Débats*, 1956, volume VI, pp. 5972 à 5973.
See Canada, House of Commons, *Debates*, 1956, Volume VI, pp. 5768-5769.

of grievances, the validity of which has since then been recognized by the Polish government (repayment of certain taxes and the removal of key officials). In conclusion, he said that the USA government has no evidence in its possession indicating that the relationships between the USSR and the satellite countries or the relationship between the satellite countries will be altered as a result of the Poznan demonstration.

4. The Dutch representative said that, on the basis of information available to his government, it was not believed either that the Poznan riots will have any significant effect on the trends of liberalization in satellite countries. He asked whether other governments were in a position to confirm the fact that the riots had taken place spontaneously. To this, the UK representative said that there was no doubt about the spontaneous character of the uprising. This situation has been developing over a period of months and the strike took place on the exact date which the workers themselves had set for it if their demands were not met. The French representative also confirmed this point.

5. The Italian representative spoke about the point raised in paragraph three of your telegram under reference, e.g. the reaction in the USSR to the Poznan events. He said that their information was to the effect that the impression created in the USSR had been very deep despite the censors' efforts to play them down. The subject was being talked about very widely in Moscow and in other parts of the USSR to such an extent that the Central Committee of the Communist Party saw fit to issue a statement trying to substantiate the charge that the riots took place at the instigation of the USA. The statement made much of the fact that the USA recently added twenty five million dollars to the one hundred million dollars voted by Congress to instigate activities designed to foster liberation of the satellites. Finally, the Italian representative said his authorities will shortly circulate to Council additional information on the Poznan riots.

6. The UK representative said that he agreed with the Canadian assessment of the situation. In the UK government view, it would be a mistake for NATO governments to take too much official notice of the Poznan events, particularly with regard to propaganda activities. He said that the presence of foreigners in Poznan at the time when the riots broke out resulted in all the publicity abroad that one could hope for, and that we should now let events speak for themselves. The French representative said that the UK approach was exactly in line with the reaction of his own authorities.

7. It was finally decided that the Working Group on Trends of Soviet Policy will meet as soon as possible and prepare a comprehensive report taking into account what had been said at the Council meeting. In this connection, we draw your attention to a Secretariat preliminary report on Poland and the Poznan riots, AC/34(56)WP/6, sent to you under transmittal slip 2558 of July 12.

[L.D.] WILGRESS

567. DEA/8522-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], July 17, 1956

EXCHANGE OF VIEWS WITH THE POLISH LEGATION ON THE POZNAN RIOT

On July 12, Mr. R. Szuster, Second Secretary of the Polish Legation called at our request. It was explained to him that large sections of the Canadian public had followed the recent developments in Poland with interest and that the Poznan incident had given rise to some public comment. His attention was directed to the questions which had been asked in the House and to your reply. Mr. Szuster said that, although his Legation received copies of Hansard, he had not read the relevant passage!

2. It was emphasized that he should not construe his being called to the Department as a formal approach to the Legation, nor as an effort by the Canadian Government to interfere in what the Polish Government might consider to be a domestic matter. As a courtesy we wished to give the Legation a copy of Hansard to ensure that it had access to an authoritative text of what had been said in the House. Mr. Szuster appeared to understand English well, although he speaks it rather poorly, and seemed to grasp this point. He made no comment and said that he would discuss it with the Chargé d'Affaires.

3. On July 16, Mr. Szuster called at the Department at his request to say that he had been instructed by the Chargé to say that our bringing of this matter to the attention of the Polish Legation was unacceptable, and that the Poznan incident is regarded as a domestic matter. It was not intended to present us with a note, since we had not prepared a note for the Legation.

4. Mr. Szuster presented these views quietly and passed at once to the subjects of personal recreation and the forthcoming reception at the Polish Legation on July 23.

5. It would appear that the Polish Legation has attempted to confine its reaction to our approach to a very mild protest.

J. L[ÉGER]

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568. DEA/8522-40

Note du chef de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division,
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], August 30, 1956

CANADIAN ATTENDANCE AT THE POZNAN TRIALS

You will recall that when the Poznan events were discussed in the NATO Council, the general consensus of opinion was that official protests by the NATO Governments to the Polish Government would be undesirable.

2. The United States Government still felt however that something should be done, and approaches were made to the NATO Governments through diplomatic channels to test their reactions to the suggestion that the Polish Government should be urged (through the Polish representatives in the capitals concerned) to give the Poznan prisoners a fair trial. When the Counsellor of the United States Embassy called about this matter, you agreed that he should be informed that such action would serve no useful purpose especially in view of the Minister's statement on this subject in the House. The Foreign Office made a similar reply to the United States Ambassador in London.

3. The United Kingdom Ambassador in Warsaw has, however, been instructed to ensure the attendance of a member of his staff at the trials, to obtain an unbiased report and to demonstrate their interest in the trials. He has received an assurance from the Polish Vice Minister for Foreign Affairs that there will be no difficulty about this, provided that the official attending is not described as an "observer" or in any form implying intervention in Polish affairs.

4. Attendance by Western representatives at the trials will give the Poles an excellent opportunity to prove their good faith as well as providing first-hand information on the proceedings. Both our own and the U.K. missions in Warsaw have reported that the Poles seem prepared to conduct relatively fair trials.

5. I therefore recommend that we suggest to our mission in Warsaw that a member of the staff attend the trials on the same basis as above. If you agree, we might also suggest informally to the Canadian Press that it would be desirable if a Canadian press representative could be present at the trials.[115]

R.A.D. FORD

P.S. If the C.P.'s small resources are over-taxed, we might suggest informally to the *Montreal Star*, or the *Toronto Star* that they give consideration to sending their European correspondents Gerald Clark and William Stevenson, respectively, though I suspect the latter might not be considered welcome by the Poles after his expulsion from Egypt!

R.A.D. FORD

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569. DEA/8522-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], November 22, 1956

POLAND

I attach herewith a paper prepared in the Department on the developments in Poland over the past six weeks. I regret its length which is due to the pressure of events, and the lack of time to condense it.

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[115] Note marginale :/Marginal note:
if other Western diplomats attend there would be no objections; the presence of a Canadian observer should not be too obvious. Canadian Press should not be approached. J. L[éger]

2. Although attention has been naturally rivetted on the events in Hungary, the evolution of Poland is at least as important. The success of the Poles in establishing and maintaining a measure of independence in their internal affairs will provide the key to Soviet policy in Eastern Europe. Just as the successful revolt of Gomulka undoubtedly was the spark for the Hungarian uprising, so the ability of the Poles to maintain what they have won will have a direct impact on the other satellites.

3. I do not consider that the struggle is yet over in Poland. There are very strong anti-Russian and anti-Communist elements and it will be the task of Gomulka to try to prevent them from pushing him beyond the limit the Russians will consider acceptable. The Poles have already made demands in foreign affairs (which they did not push at the Moscow Conference), and have said things in the U.N., which must profoundly disturb the Russians.

4. The Russians clearly do not want to provoke an outbreak in Poland while their hands are full in Hungary. But if they are successful in subduing the latter country, I think there must be many members of the Soviet hierarchy who would favour stopping the progress towards freedom in Poland before it got too late, or before its influence crept across the frontiers with the other satellites, and into Russia itself.

5. If the Poles survive the next six months, it is my feeling that they may come to occupy a position at least as important in the Communist world as Yugoslavia. They are a far more numerous, civilised, and industrially advanced people than the Yugoslavs, and there is every sign that they are likely to develop a special kind of *democratized* and relatively liberal communism especially adapted to their own needs, than the Yugoslavs have been able to achieve in their country.

6. Therefore, I conclude that we ought to pay the closest possible attention to the developments in Poland, and as soon as feasible, both from our point of view and that of the Poles, be prepared to adapt a policy similar to that we followed with the Yugoslavs after 1948. In the latter case, after it became clear that the Yugoslavs were determined to establish and maintain their independence of Moscow, we raised our Legation to an Embassy, sent an ambassador to Belgrade, increased the staff of the mission, and in other ways, political and economic, expressed a desire to establish closer and better relations.

7. I am not suggesting any particular time-table, but I think we ought to keep this necessity in mind, particularly if we are unable to give any satisfaction about the Polish art treasures even to a more nationalist government which, furthermore, has released the Cardinal Primate, and gone a long way towards the restoration of religious freedom — something, incidentally, that the Yugoslavs have never done.[116]

J. L[ÉGER]

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[116] Note marginale :/Marginal note:
I agree L.B. P[earson]

[PIÈCE JOINTE/ENCLOSURE]

Note de la Direction européenne

Memorandum by European Division

CONFIDENTIAL [Ottawa], November 22, 1956

THE FUTURE OF POLAND

The re-assumption of the leadership in Poland by Wladislav Gomulka and the direct defiance of Moscow directives during the visit of the four-man Soviet delegation to Warsaw on the eventful weekend of October 19 may have been the turning point in the efforts of Poland over the past few months to break away from complete domination by Moscow. This was certainly the feeling in Poland which was perhaps best expressed in a Warsaw radio message. "This is a spring of renovation of Communism ... which is sweeping across the whole country.... The spring has only just begun, but the Rubicon has been crossed, and nothing will be able to stop the great change in the history of the development of Poland." If Moscow now intends to stop these changes precipitated by Khrushchev's pronouncements at the CPSU Twentieth Congress, it is probable that armed force such as has been used to crush the revolt in Hungary will be necessary.

2. An examination of the present situation reveals however, that there seems to be little prospect of a revolt in Poland, or that Poland, unlike Hungary, will attempt to repudiate the Soviet Union, restore capitalism or permit the formation of a Western political system. It would appear at present that Poland will be allowed to establish a Titoist form of communism which will follow a course more independent of Moscow. Gomulka made this clear in his statement on October 20 that "*within the framework of Socialist relations with other nations of the Soviet bloc*, each country should have full independence, and the rights of each nation to a sovereign government in an independent country should be fully and mutually respected." Although the Soviet Government apparently made considerable efforts to delay the changes in Poland, the broader directions of Gomulka's programme were nevertheless repeated in the Russian statement of policy of October 30.[117]

3. There are good reasons for Gomulka's stand. He was a leading communist in Poland before the war and would probably not be welcomed as leader at the present time if he had not become associated with Polish nationalism by his support of Titoism and his imprisonment. Much of his speech of October 20 was devoted to criticism of the Moscow-directed policies which have led to the terrible economic situation and living conditions in Poland at the present time. But to retain popularity he may have to go further in concessions to the Polish people than is consistent with his own convictions.

4. The most significant changes can consequently be expected in Polish domestic policy. Defiance of Moscow in foreign policy is recognized as dangerous and not necessarily in

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[117] Dans une importante déclaration publiée le 30 octobre 1956, l'Union soviétique a annoncé qu'elle avait l'intention de réviser ses relations avec les États socialistes de l'Europe de l'Est « so as to remove any possibility of violation of the principle of national sovereignty, mutual benefit and equality in economic relations. » Pour la déclaration, voir *Documents on International Relations, 1956*, London, Royal Institute of International Affairs - Oxford University Press, 1959, pp. 465-468.

In an important declaration issued on 30 October 1956, the Soviet Union announced its willingness to conduct a searching re-examination of its relations with the socialist states of Eastern Europe "so as to remove any possibility of violation of the principle of national sovereignty, mutual benefit and equality in economic relations." For the declaration, see *Documents on International Relations, 1956*, London, Royal Institute of International Affairs - Oxford University Press, 1959, pp. 465-468.

Poland's interests. The strategic situation of Poland between the USSR and Soviet-occupied East Germany, and Poland's traditional fear of Germany makes Soviet support necessary against a possible future German campaign for a revision of the Polish-German frontier. Although there is undoubtedly anti-Russian feeling among the Poles — the Poznan rioters made this clear — the leaders of the recent revolt have discouraged it and Gomulka stated in the speech that "if there is anyone who thinks that it is possible to kindle anti-Soviet moods in Poland, then he is deeply mistaken." The brutal Soviet repression of the revolt in Hungary can be expected at the same time to discourage similar ideas in Poland, yet increase the latent anti-Russian and anti-communist feeling of the Polish people.

5. Before examining the internal changes proposed by the new Polish Government it would be well to examine the composition of the newly-formed Politburo. On the whole it should appeal more to Polish nationalist sentiments, and bring the party leadership closer to the rank and file party members. Most of the members with the exception of Ochab and Zawadski attained prominence in the Polish resistance, and Cyranciewicz, the Prime Minister, and Rapacki, the Foreign Minister are former socialists. It will be remembered that Cyranciewicz had been advocating greater "democratization" during the past few months and was leader of the more liberal faction within the party. Even Ochab, the former First Secretary of the Communist party, who served an apprenticeship in Moscow and had been considered pro-Stalinist, has recently been showing signs of supporting the more liberal tendencies in the party. Zawadski's presence may be a concession to Moscow since he had strongly denounced Tito at the time of Gomulka's disgrace. Only Gomulka and Zambrawski were in the Politburo of 1945. The most notable casualties have been Minc, who was in charge of economic policy and resigned on October 8, and Marshal Rokossovsky, who was dropped from the Politburo and has now "resigned" as Minister of Defence and Commander-in-Chief of the Polish armed forces. Rokossovsky's successor is General Spychalski, an associate of Gomulka's, who is regarded as a Polish nationalist. Another notable change has been the removal from the Politburo of Jozwiak-Witold who, as chairman of the party control commission, was associated with the security police.

6. The real test facing the new Government lies in the economic situation. In a remarkable speech to the Central Committee of the Polish Communist Party on October 20, Gomulka outlined the principal difficulties and indicated that only the most radical change of economic policy held out hope for the future. Some indication of trouble had been filtering through in various speeches by Polish leaders during the previous months and the Poznan riots made this clear to the world. Gomulka did not spare the facts. Poland is experiencing a serious inflation, for the rise in wages has not been accompanied by an increase in commodities. The forced collectivization of agriculture has been a failure. Yields from individual peasant farms far exceed those from collective and state farms, and the collective farms have been subsidized to conceal the failures at the expense of the economy as a whole. Top priority for heavy industry has led to enormous waste, and much of the increase in industrial production has been won at a high cost. The coal industry is further behind than it was in 1949 and long hours have been ruining the health of the miners and lowering efficiency, a situation which Gomulka termed "unpardonable thoughtlessness". The housing situation is described as an "alarming matter". Gomulka implied that Soviet credits for Polish industrialization have weakened the country's economic position. Poland has been unable to repay the credits; a large part of these, extended in the shape of machines and installations has found no application in production, and part "must be considered irretrievably lost". A gross example of this waste is the Zeran automobile plant, built with Soviet aid, which operates at "disproportionately high costs" and produces a

limited number of outmoded automobiles with high fuel consumption. The situation in the field of public services, health resorts and sanatoria is cited as being equally serious.

7. The Government has announced its proposal to meet the situation. The plan calls for the restriction of planned capital investment in 1947, the saved building material to go into housing; the exclusion of "sideline" production from the State plan and complete freedom in fixing prices; the gradual introduction of competitive trading and free enterprise in small State-run and cooperative industries; the limited encouragement of small private establishments producing consumer goods, a move which was begun last summer; and the promotion of private stores and kiosks. In agriculture, only the sound collective farms are to be strengthened further and the others are to be dissolved. Some of these measures represent considerable concessions to the people, although no promises have been made for an immediate improvement in the standard of living. The problem remains as to whether anything effective can be achieved without outside help and how far Poland can go independently in view of Soviet vested interest in the country. It is obvious from Gomulka's speech that in the past Soviet offers of aid, in Soviet terms, have not helped the economic situation in Poland; it is probable that Poland will now press for assistance on its own conditions. It should not be forgotten, however, that Poland depends materially on the USSR for supplies of iron ore, some ferro-alloys and some factory equipment and spare parts. If such supplies were cut off, it is unlikely that Poland could find foreign exchange to buy them elsewhere. It is not yet certain that Poland will accept the U.S. offer of aid made on October 27. Meanwhile, the USSR has offered a loan of $25 million dollars. The possibility of an American offer had been discussed in the *Sejm* Committee and criticism was made of the "political conditions" attached to such offers. However, it is possible that it will be accepted if no strings are attached and Moscow permits this. It is impossible to determine at present how successful the new economic programme will be, although it appears certain that Poland's new independence will have little substance unless the country is helped to stand on its own feet economically.

8. The proposed reforms are not restricted to the economic field. Perhaps the most important are the proposed changes in the role of the *Sejm* or parliament. The need to give more responsibility to the latter has been discussed frequently since the Twentieth Congress of the CPSU, and it now appears that some action will be taken. The parliamentary commission has already approved a new electoral law enforcing the secret ballot, and changes in the voting system are in process. Criticism of the present system has been strong. An article in *Trybuna Ludu* states: "What is the most essential problem concerning the electoral law? It seems to me that it is most essential that a voter is really able to *choose* and not just vote as was done so far." The writer states that the present article of the constitution which reads, "The number of candidates on the list cannot exceed the number of deputies established for the district", ought to be abolished because it wipes out the sense of elections. "One can only choose between one man and another and if the number of candidates is precisely the same as the number of deputies for a given district, then there is no question of any elections". The changes under discussion do not indicate free elections in the Western sense, but it can be expected from a study of the discussions of the *Sejm* committee that the voters in the January elections will be able to choose between candidates and that the right to present candidates will be extended beyond political and co-operative organizations to include groups of citizens who are not necessarily all party members. It is not probable that non-communists will have any chance of being chosen, but the Government is obviously trying to give the Polish people a greater sense of participation in their government.

9. The *Sejm* itself will also have more influence if the new measures are successful. A recent *Sejm* resolution which follows the lines laid down in Gomulka's speech states that

"The *Sejm* must be permitted to express its opinion on all Government policy, so that the Government should only in exceptional cases make decisions by decrees of the Council of State on matters within the competence of the legislative chambers". The resolution is encouraging, but it also makes it clear that the Party leadership will retain the final effective control of the country's policies.

10. Concessions are being made to the Polish people in the field of religion. Cardinal Wyszynski has been released, his functions restored, and all church properties confiscated by the state are to be returned. There is evidence that the progressive Catholic movement *Pax* is rapidly losing influence and that an anti-progression Catholic group is apparently being organized with the consent of the government. However, many bishops and priests are still in prison, and Roman Catholic political and youth movements will not be permitted. Gomulka and the Cardinal have apparently reached some accord in this respect and it can be assumed that restraint in his activities is the price the Cardinal will have to pay for his freedom. Nevertheless, once a degree of religious freedom has been permitted, public pressure in a country which is ninety percent Catholic may force more concessions than the régime anticipates at present. In addition to concessions to the Catholic church, the régime has also been stressing the importance of eradicating the anti-Semetic sentiments which have been very strong in the country.

11. The recent trials in Poznan have drawn considerable attention to the "liberalization" which has occurred on the judicial system in Poland. This development was foreshadowed by the general amnesty first announced in 1955, by the rehabilitation of the Home Army, and the gradual release of political prisoners who had been charged as "enemies of the State" and who are now admitted to have been unjustly imprisoned. The remarkable frankness of the defence during the Poznan trials and the presence of Western observers are hopeful indications that more attention will be paid to normal judicial procedures in the future and that arbitrary police repression will be greatly reduced. There is now much talk in Poland of "Socialist legality" and condemnation of "beriyaism". The general feeling was aptly expressed in a speech to the *Sejm* committee for the Administration of Justice: "The Beriya system consisted in a lack of independence of the courts, particularly of Military Courts, and in reducing the part of the prosecutor to that of a factor automatically ordering arrests. But the lack of openness and of supervision of the work of the investigating agencies has also contributed to all sorts of distortions — the case of openness of the administration of justice, and public control of it, is of decisive importance to the guarantee that the incidents of 1949-53 will not be repeated". There is little to indicate at present that the Polish régime is not sincere in its desire to restore some semblance of the rule of law to the country.

12. It will be noted in the examination of recent events that little attention has been paid by the régime to the prospects of sweeping social reforms. This is indicative of the realistic approach of the new leaders who have recognized that until the economic crisis has been resolved, higher wages, pensions, consumer goods and better working conditions cannot be offered to the people. It is a dangerous situation and concessions in other fields may not be enough to ensure the popularity of Gomulka's Government for any length of time. Efforts are being made to ensure a fairer distribution of available food and goods under a proposed ration system, but this is an emergency measure at best. It remains to be seen whether the régime can stand firm and convince the people that they must continue to wait patiently for an improvement in their standard of living.

13. The foregoing analysis has concentrated on the prospects of Poland's future in the light of the measures proposed by the new régime and the reforms begun during the past few months. If these measures are successful, Poland may attain a considerable degree of independence to follow its own "path of socialism". Yugoslavia and Communist China

have offered encouragement and the Soviet Union now seems prepared to accept the situation provided Poland does not try to follow the Hungarian example. But the picture is not entirely stable. The Polish people are essentially opposed to the communist system itself and restlessness and anti-Russian feeling appear to be growing. Gomulka has been forced to issue appeals for "calm and unity". The question arises: "Will Gomulka and the threat of Soviet armed intervention keep the situation under control, or will be the people revolt and cause the destruction of everything that has been gained?"

14. In conclusion, a few words might be said on the effects of the events in Poland on the Soviet Bloc. Poland's example was undoubtedly influential in sparking the revolt in Hungary, and signs of discontent are appearing in Roumania and East Germany as well. Poland came out formally in support of Hungary's earlier demands for independence and the withdrawal of Soviet troops, but the turn of events in Hungary has now become a source of some embarrassment to the Polish Government, and Gomulka has stated strong disapproval of the Hungarian attempts to reject the communist system itself.

15. It is noteworthy, however, that in the debate over the Hungarian question in the United Nations, the Polish delegate felt able to take a stronger and less ambiguous stand than the Indian delegate and said that in the event of a paragraph-by-paragraph vote he would have supported those parts of the United States resolution of November 4 favouring non-intervention in the internal affairs of other nations and noting the Soviet declaration of October 30 about a more liberal policy toward the members of the Warsaw Pact. Moreover, Poland has offered $2 million for Hungarian relief, one of the most generous contributions from U.N. members. In the vote in the U.N. on November 20 on the Indian-Ceylonese-Indonesian resolution Poland abstained along with Yugoslavia, perhaps the first time a Soviet satellite has broken the unity of the bloc.

16. Since he assumed the leadership, Gomulka has repeatedly stated that his country's desire for "socialist" independence will not affect Polish-Soviet friendship, and he has not denounced the Warsaw Pact. This does not mean that Poland does not want the withdrawal of Soviet troops. Over thirty Russian officers have been dismissed from the Polish army, and replaced by Poles as a concession to Polish feeling about the presence of Russian troops. Moreover negotiations will reportedly take place with the USSR in the near future to regulate the number and position of Soviet troops. The presence of the latter is recognized as a necessity for the present, at least, in the full knowledge that the Soviet Union will not permit its troops in East Germany to be isolated without the support of troops in Poland. The implication is that withdrawal of Soviet troops from Poland will depend on the withdrawal of NATO forces from West Germany. Poland obviously had no intention of risking a break with Moscow and its support of movements for independence in the other satellites can be expected to stop short of actions intended to split the unity of the Soviet Bloc. But within these limits, the Polish régime will undoubtedly press for as many concessions as possible from the Soviet Union and in this respect it is of interest to note the outcome of the negotiations between the Polish and Soviet leaders just completed in Moscow. Although Poland and the Soviet Union have signed a pact of "indestructible friendship", the agreement on the whole represents considerable concessions to Poland. Soviet troops will remain in Poland, but control of Soviet troop movements outside their bases has been given to the Poles. It was also agreed that Soviet troops would not interfere with Poland's internal affairs. In addition to the military arrangements the Soviet Union has promised to deliver 1,400,000 tons of grain on credit to Poland in 1957, has extended long-term credits totalling $175,000,000, has made a settlement of outstanding Polish debts, and has agreed to the repatriation and release of Poles in captivity in the Soviet Union. The economic aid will undoubtedly help to meet Poland's economic crisis, at least

temporarily, but it has been reported from Poland that it will meet only half of Poland's needs and that aid may yet be sought from Western countries.

17. The Poles have been showing increasing interest in contacts and trade with the West. Over a period, if the present movements in the direction of national communism continues, it may prove worthwhile for Canada, in concert with other Western countries, to consider taking more initiative in developing trade with Poland, encouraging the exchange of visits, expanding information activities in Poland and in general fostering more friendly relations with a view to weaning Poland gently away from its dependence on Moscow.

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570. DEA/10258-40

Le sous-secrétaire d'État adjoint aux Affaires extérieures
au sous-secrétaire d'État aux Affaires extérieures

Assistant Under-Secretary of State for External Affairs
to Under-Secretary of State for External Affairs

PERSONAL AND CONFIDENTIAL New York, December 17, 1956

FOR CANADIAN EYES ONLY

Dear Jules [Léger],

One of the most interesting experiences I have had here has been my contact with several members of the Polish delegation, one of whom I have known in the United Nations for some time. I am reporting separately by telegram† my conversations with Michalowski about Vietnam which I hope may lead to some interesting developments.

In addition to these two I have talked rather briefly to the Deputy Foreign Minister, whom I knew slightly when he was Ambassador in Moscow. In addition, Jean-Louis Delisle and I had luncheon with the new Polish Chargé d'Affaires in Ottawa, Sieradski, in the company of my old Polish friend. The latter was so extremely candid that I was led into talking very frankly to Sieradski about the pitfalls into which he could be led on first arrival. They both seemed so extremely anxious to get Canadian-Polish relations on a sound basis that I thought it would do no harm to talk frankly about such things as impresarios and about the kind of associations with Polish-Canadians which would prove fruitful and those which would not. I told him to have a talk with John Watkins about these things. Since he departed I have been told that they took this advice as well-intentioned and also took it seriously. If these people whom I talked to, including I think Sieradski, are honest representatives of the present government I am to a large extent convinced (retaining of course a due proportion of professional scepticism) that they want to establish genuinely friendly relations with Canada and that they probably place a high priority on this.

Curiously enough one reason for my believing in their intentions is their attitude on the Polish treasures. This subject is prominent in all our talks. If they were attempting to pull the wool over our eyes I suspect that they would be more ingratiating about the treasures. In fact they are quite blunt, although not at all nasty. They seem to have a thorough understanding of our internal problems and don't suggest these have been invented as an excuse by the federal government. On the other hand they express their great disappointment that nothing has been done about the treasures in the Bank. This, they say, they cannot understand. One of the strong arguments they put forward (and this I think was made also by Michalowski in a conversation he had with Lucien Cardin) is that a gesture of goodwill on the treasures from Canada at the present time would help them in their internal situation.

They make no secret of the impatience of the Polish public at the failure of the government to move more rapidly in the direction of the West and they are anxious to reassure the public in any possible way of their good although cautious intentions.

Yesterday I was invited to lunch by my old Polish friend. I am sorry to be rather melodramatically anonymous in my reference to him, but at the end of yesterday's conversation I said that I would like to report to Ottawa the viewpoints he had expressed and asked if he would mind. He agreed but asked me not to quote him specifically. As he had been very candid with me, I feel that I must be honest with him.

At various times during the session he has given me the barometer of Polish feelings. They were very nervous up until the Gomulka visit to Moscow, and after that they were jubilant and confident that they had won. Yesterday, however, he admitted that they were a bit frightened again. The riots in Poland had made them very anxious. He has told me of the difficulties he has had with his own students in Warsaw persuading them of the danger of making the mistakes that were made in Hungary. Although he is usually an optimist, he spoke nervously about the limitations of their freedom of movement internationally. At this point they could abstain here and there but that was about all and it would not be noticed. I told him to have no doubts about the notice being taken by the Western countries of even their most timid abstentions in the Assembly. He could be assured that most Western people had a great deal of sympathy and understanding for what they were trying to do. He said the trouble was that the people at home would not notice. We did not talk very much about Hungary yesterday because he had on many other occasions expressed his strong feelings on it. He said that feelings in Poland on the subject were extremely high. They had been expressed to some extent by about four million dollars worth of relief supplies.

He complained somewhat about the attitude of the United States. I said that I thought the Americans like the rest of us were uncertain what to do. We wanted to encourage and help the Polish Government in its new independence but we were anxious not to do anything which would upset the delicate basis of their relations with Moscow. It was my impression that the Americans had been on the whole sensible in this respect. My friend may have been a little unreasonable on this subject. They understand the need for caution by the West but at the same time they seem so desperately to want Western understanding and confidence. He did not specifically refer to American economic assistance but talked bitterly about the attitude of Knowland and Lodge who wouldn't have anything to do with them and continued to talk about them as satellites. He said angrily "I'd like to go and ask Senator Knowland what he would do in our position". When I asked him if a large offer of a loan from the United States would not be dangerous for them, he said that gestures from the West were quite all right "as long as they were not to the bosom" — what they would like to have were credits. It was of primary importance to them to improve their difficult economic situation in order to keep the people satisfied and prevent them from the desperate measures the Hungarians had taken. They were not asking for gifts. He referred several times to his hopes that he would have a chance to talk to Mr. Pearson, and I think he would undoubtedly wish to look into the possibility of some Canadian economic assistance, although it is not likely that he would speak as an official or negotiator but simply as a Pole who wanted to let us know what Poland needed and wanted.

One thing had made him happy and that was the NATO statement about Eastern Europe.[118] He thought that this was just the right note for NATO to strike in order to reassure the Russians. They (he always calls the Russians "they") were very frightened and perplexed and did not know what to do next. From previous conversations I know that he is much interested in the new Soviet disarmament proposals, not because he is defending Soviet policy but because he sees Polish needs being served by the mutual withdrawal of forces. It struck me there was a new note of urgency in his voice yesterday on this subject. The Poles do not know what the Russians will do next and are grasping at any prospect of a new agreement on European security, in fact anything which might get the Russians out of Poland before the Polish people do something desperate. It was not surprising, therefore, that we talked about James Reston's article in yesterday morning's *New York Times* which confirmed the suspicions many people have had here that the United States was flirting with some bold new proposals about the mutual withdrawal of forces in Europe. (Incidentally I learned last night from the Quaker representative at the United Nations, who sees a lot of the Russians and had just left them yesterday evening, that the Russians are most excited about Reston's article, and that, when he asked Zamyatin what it meant, the latter said that it meant the Americans had accepted the Soviet disarmament proposals.) My friend was much encouraged with the thought that the Americans might be doing something which would help Poland indirectly.

In every conversation I am made aware of the great pride my friend takes in recent Polish developments. I could not, of course, be sure that the reality in Poland conforms with his version of it but he assures me that they are moving rapidly to virtually complete freedom of opinion and religion. He seemed particularly proud of the agreement reached with the Roman Catholic Church, although I do not think he is a Catholic himself. He said that the Church would now be quite as free as it was in most European countries. They would not re-establish a state church, but in this they were not different from most Western countries, including Canada. He said the Cardinal had preached a sermon last Sunday in the Cathedral in Warsaw that was very good. He understood the Cardinal would be going to Rome this week. He was quite frank in saying that he hoped the new relations with the Catholic Church in Poland would be noted in Canada and that it might have some effect on the Premier of Quebec. When I said that it seemed to me they had gone further in a few months than the Yugoslavs in liberalization, he said that in the Polish view Yugoslavia had now economic but not political democracy. If the Polish government acted as the Yugoslavs had towards Djilas they would have to jail hundreds of people because editors were writing like that all over Poland.

There is one other point which my friend is anxious to make at every possible opportunity, and it has also been made to me by Michalowski independently but in similar terms. The Poles clearly think that the Chinese Communists are on their side in the dispute with Moscow. My friend insists that there were official statements from Peking which not only spoke sympathetically about the Poles and Hungarians but were actually critical of the Russians. They seem to be quite sure that Chou is using his good influence as well. I must say that I am only about half convinced of these arguments about China because, so anxious are they for support, that I sense some tendency to convince themselves of what they desperately need to believe. My friend yesterday argued passionately that the Chinese must be brought into the United Nations as soon as possible because "if they were here the whole balance would be different". He is a bit vague on all this but he does seem to believe that the Chinese, if they did not differ openly with the Russians in the United Nations, would at least exercise considerable influence on them and, what is more important for the Poles, would prevent the domination of the Communist bloc by a single state. He was extremely anxious to know whether we would be moving in this direction and asked me what could be done to further this along. I told him of the great difficulties in the way of such a step, especially in the United States, and spoke of the importance of their influencing the Chinese to be cautious and sensible. I said, furthermore, that the Poles were probably now in a position to give the Western powers advice on policies within the Communist bloc which we would listen to with care. If the Poles could give the Americans and the rest of us convincing proof that the Chinese Communists had used their influence on behalf of sensible policies in Hungary, this would undoubtedly have an affect on our attitude towards Peking.

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[118] Voir Conseil de l'Atlantique Nord, *Textes des communiqués finals, 1949-1974*, Bruxelles: Service de l'information OTAN, s.d., pp. 105 à 109.
See North Atlantic Council, *Texts of Final Communiqués 1949-1974*, Brussels: NATO Information Service, n.d., pp. 101-107.

I think you might consider this letter as a partial answer to your telegram No. SS301 of December 7.† It seems to me that the Poles would very much like us to help them economically. Could the matter be raised with Sieradski?

Although these confidences have been offered pretty freely I trust that they will not be very widely circulated. If you should wish to send them to Warsaw or to other sensitive posts I should feel happier if they were destroyed immediately. If there is objection in Ottawa to my keeping in close touch with the Poles, please let me know.

In conclusion I might report a story which I have learned has been current in Poland. According to this story, during the past couple of months the Hungarians have behaved like Poles (i.e. irrationally gallant); the Poles have behaved like Czechs; and the Czechs have behaved like swine.

Yours sincerely,
R.A. M[ACKAY]
for John Holmes

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571. DEA/10258-40

Note du secrétaire d'État aux Affaires extérieures pour le premier ministre

Memorandum from Secretary of State for External Affairs to Prime Minister

CONFIDENTIAL [Ottawa], December 26, 1956

It has occurred to us that the time may have come to recognize the progress made by the Gomulka régime; the easiest way to do this would be for us to appoint a Head of Mission in Poland. You are aware that our Mission there has been in the hands of a Chargé ever since its creation in 1947. In this connection I though I would pass on to you copy of a memorandum dated December 21 which was prepared in the Department and which represents pretty well my own thinking in the matter.

If you agree generally with the arguments put forward I would be glad to discuss with you names of officers in the Service who might be available to fill in the post in Warsaw. The matter would then be cleared in Cabinet.

L.B. PEARSON

[PIÈCE JOINTE/ENCLOSURE]

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], December 21, 1956

APPOINTMENT OF A CANADIAN AMBASSADOR OR MINISTER TO POLAND

On several occasions over the course of the last six to eight months, I have suggested that one of the ways by which we might encourage and profit by the "thaw" in Eastern Europe would be to increase and strengthen our diplomatic representation in that area. You will recall that prior to the outbreak of the Hungarian revolution, we were seriously thinking of opening a mission in Budapest within the next twelve to eighteen months. That possibility is obviously ruled out for the present, but I think we should give serious consideration now to strengthening our representation in Poland. Although the situation remains uneasy, the new Polish leadership has managed with some success to attain a greater degree of independence of the U.S.S.R. than any other satellite and, in terms of freedom of expression, more than Yugoslavia as well.

2. Gomulka has displayed a considerable amount of courage and firmness in demanding and obtaining from the Russians a measure of independence of action in both foreign and domestic policy for his country. While, for a number of reasons, he apparently intends to maintain close ties with the Soviet Union, I think he is sincere in his desire to improve and broaden his relations with the Western world. I expect that his ability to remain in power and to keep under control the unrest which certainly exists in Poland will depend very largely on his ability to improve the economic conditions in Poland. but his ability to keep control of a difficult situation is also likely to be enhanced if he can demonstrate that the course which he is trying to steer will lead to better relations with the Western world. I think it is important, therefore, as a "Gomulka course" for Poland is probably the most that we can hope for at the present time, that we should provide what encouragement we can for the present régime.

3. In considering our relations with the new Poland, we cannot, of course, assume that present trends will continue. By an adroit sense of timing, the more nationalistic elements of the Polish Communist Party have forestalled an anti-communist uprising which might have gone the way of the tragedy of Hungary. But anti-communist and anti-Russian popular feelings are still strong and will not be satisfied merely by the favourable economic agreement which Gomulka has won from the Soviet Union and by the liberalization of the Polish Government's internal and external policies.

4. To consolidate his régime it would help Gomulka if he could establish better relations with the West. In our judgement it is in the interests of the West to go half way to meet him to foster evolution rather than revolution, since the alternative to a Gomulka régime is probably the imposition by force of a Moscow puppet. If they stick by their declaration of policy of October 30, Soviet leaders may be expected to permit Gomulka to take a more or less independent line so long as he does not prejudice the Soviet security sphere defined by the Warsaw Pact. This gives him scope for increased diplomatic, economic and cultural contacts with the West which he needs for domestic political reasons as well as to meet Poland's formidable economic difficulties. While we must, therefore, recognise that the Gomulka régime may not endure, it has, in our opinion, a better chance of surviving and

developing in a manner favourable to Western interests than any alternative régime we can foresee in present circumstances, i.e., until Moscow is willing to let Poland and East Germany out of its orbit — which will probably happen when, as Khrushchev once said, "shrimps learn to whistle".

5. You will recall that you discussed with the Foreign Minister of Poland in San Francisco in June 1955 the possibility of an exchange of Ministers between Canada and Poland, and that the same subject was discussed with the Polish Vice-Minister of Foreign Affairs in December of that year.[119] On the latter occasion, we told Mr. Naszkowski that we welcomed his suggestion that the Poles appoint a Minister in Ottawa but that for personnel reasons, it would be difficult for us to reciprocate in the near future. We said, however, that this should not be interpreted as any lack of interest in better relations. We have had, so far as I know, no recent requests from the Poles on this subject but I feel sure that they would welcome an initiative from us at this time, all the more so as it is difficult for Gomulka, for the sake of his relations with the U.S.S.R., to take too much initiative on the question of improving relations with the West.

6. The political consideration of giving encouragement to Gomulka in the comparatively independent course which he is taking is uppermost in my mind in recommending that we try to appoint a Canadian Ambassador to Poland in the near future. Trade considerations are also important. The Poles are certainly going to need assistance from the West in addition to the substantial assistance which they are getting from the Soviet Union as a result of the recent agreement reached between Poland and the U.S.S.R. They have stressed that they want trade, not aid, although they may request credits in order to finance purchases which are urgently needed. They are already in touch with the U.S. Government and have expressed an interest in obtaining a 300 million dollar loan from the U.S. According to the Americans, the Poles are very anxious not to give the impression that they are going "hat in hand" to Washington. They have also asked for a long-term loan from the British.

7. Provided we are in a position to extend credits to Poland, I think there is a good prospect of future Canadian wheat sales to that country to help make up their very serious deficiency. I think that our prospects of getting into the Polish market would be improved if we were able to give the impression that we were interested not just in wheat sales but in generally closer relations between Canada and Poland.

8. You have agreed that we should give some encouragement to the exchange of visits with Poland. We have made arrangements, with your approval, to receive a small delegation of Polish architects in the very near future. Glenn Gould, the Canadian pianist, will probably include Poland on his European itinerary next spring, and we are encouraging him to do so. Strengthening of our mission in Warsaw by the appointment of an Ambassador or a Minister would, I think, make it easier for us to take initiatives in the cultural field as well.[120]

9. If you agree that it is desirable to appoint an Ambassador or a Minister to Poland in the very near future — and I think the political arguments which I have spelled out only briefly in this memorandum argue strongly in favour of it — I think we should raise the subject with the Poles fairly soon. The simplest way to do this would be to ask for the Agrément of a new Minister without asking that the Mission be raised from the status of Legation to Embassy. In turn, I presume the Poles would wish to appoint a Head of Mission in Canada.

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[119] Voir/See Volume 21, Document 525.

[120] Voir 2^e partie./See Part 2.

10. It may be, although I doubt it, that the Polish Government would link the question of the appointment of a Head of Mission with that of the Polish art treasures. In view of the fact that much greater freedom is now being allowed the Catholic Church in Poland it may make it somewhat easier to find a solution to the problem of the treasures. This may be done through religious channels at a later stage.

11. I presume you would wish to discuss this matter with the Prime Minister at his convenience; I am therefore attaching copy of this memorandum and a covering note for the Prime Minister which if found satisfactory you might wish to initial.

J. L[ÉGER]

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572. DEA/8522-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État par intérim aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Acting Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 23, 1957

RESULTS OF THE POLISH ELECTIONS

You may be interested in the attached analysis of the January 20 Polish elections, based on information received to date. The endorsement of the present Polish Government is of special interest to Canada in view of the recent decision to conduct negotiations for the extension of credits and the sale of wheat to Poland.[121]

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

CONFIDENTIAL [Ottawa], January 23, 1957

RESULTS OF THE POLISH ELECTIONS

Gomulka's last-minute appeal to the Polish electorate to endorse his Government, dramatically summed up in his statement that "To cross out Communist candidates is to cross Poland off the map of Europe", together with the strong support of the Roman Catholic church whose recent gains were at stake appear to have been the deciding factors in the heavy endorsement of the Gomulka Government in the January 20 elections.

2. Although the final figures have not yet been published, information received to date indicates that approximately 90% of the electorate turned out to vote without having been subjected to direct political pressure or police supervision as in former years, and that few, if any, important candidates on whom Gomulka depends for support were defeated. There was no violence, and observers noted that few voters took advantage of the opportunity to cross names off the ballots, perhaps partly because those who used the polling booths would be suspected of crossing names off the ballots, while those who voted for approved

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[121] Voir/See Document 584.

candidates had no need to mark their ballot in any way. On the whole, however, it is probable that the majority of the voters felt that failure to support Gomulka could mark the end of any hopes for political and economic stability in Poland, and the example of Hungary must have had a strong deterrent effect.

3. This triumph for Gomulka has placed very heavy responsibilities on his shoulders. To maintain the trust the people have placed in him, he will have to carry out his programme of economic and social reforms in the face of severe domestic difficulties — coal and agriculture shortages, inadequate housing, production difficulties and lack of foreign exchange, to name a few. Although the elections have strengthened his position within the country, he is still not completely secure. The Sejm is, of course, far from being the controlling body in the Government, and until Gomulka can get rid of his opponents within the Party, or come to an understanding with them, he will be unable to carry out his policies unhampered. During the last two weeks before the elections, a number of minor officials were expelled from the Party, and Gomulka now proposes to use the people's mandate to break the hold of the pro-Soviet faction on Party machinery. It has been revealed since the elections that a violent intra-Party struggle took place during the campaign and that the pro-Soviet faction (now, in deference to the Soviet Union, called "conservatives"!) had tried every means at their disposal to defeat Gomulka's most prominent supporters in the elections. It is now evident that Gomulka intends to clean up the Party before calling the next Party Congress. The latter had been scheduled for March but has now been postponed until 1958.

4. As far as the West is concerned, the results of the elections appear as satisfactory as could be expected in that they promise reasonable assurance of a more stable Government in Poland. This is particularly important at a time when Polish requests for economic aid, increased trade, and exchanges are under consideration in several Western countries, including Canada. After the events in Hungary, it is unlikely that an indictment of Gomulka's national communism by the Polish electorate could have caused anything but alarm and embarrassment in the West, since we could then have anticipated a reversion to Soviet-style communism, either by means of direct military intervention by Soviet forces in order to quell disturbances, or through the Polish Stalinists reestablishing their control over the Party in Poland. As the representative of the evolutionary Polish communist forces, Gomulka's régime is to be preferred to the present alternatives. His survival may, however, hinge in large measure on his ability to bring about an improvement in economic conditions. Rightly or wrongly, public opinion in Poland is convinced that this will only be possible if Western credits can be obtained.

5. Since this memorandum was prepared, press despatches from Warsaw have reported that Gomulka's National Front has won 98.4% of the vote. We would have been more impressed had the percentage been lower.

573. DEA/19533-40

Le chargé d'Affaires de la légation en Pologne
au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires, Legation in Poland,
to Secretary of State for External Affairs

SECRET Warsaw, May 7, 1957

PRESENT SITUATION IN POLAND

I am becoming increasingly concerned as to the future of Poland. When I returned from vacation at Easter, I checked with my colleagues in the Diplomatic Corps and I found that there is general anxiety as to what the next few months will bring forth. Without exception, they regard the economic situation as serious and the potential source of trouble. There is of course the intense nationalism of the Poles, their opposition to the régime and there are some minority groups including Germans and Jews, although not nearly as many as in pre-war Poland. The Poles have learned to live under a communist régime and they are acutely conscious that they are surrounded by units of the Red Army. They also know what happened in Hungary.

2. The basic fact of life in Poland is that there is a scarcity of consumer goods. They are in fact paying now for the policy of the last ten years which has robbed this country for the benefit of the Soviet Union and diverted its resources and energy into the manufacture of war materials. In heavy industry, considerable adaptation has taken place and Poland is an exporter of such things as locomotives and railway equipment. It is the things which the average citizen wishes to buy for himself and his family which are the source of trouble.

3. If prices were allowed to respond to the normal influences of supply and demand, there would be drastic inflation overnight. The government is trying to maintain the price structure. To this end, it dare not increase the purchasing power of the people and therefore it dare not raise wages. Similarly, faced with a breakdown of its collectivization programme and a virtual embargo by the countryside on compulsory deliveries, it promised abolition of the latter, but on the condition arrears were met. It needed the arrears to feed the nation, but could not increase the prices of farm produce without making the cost of living and generally low standard of living even more unbearable. It also dared not immediately allow agricultural prices to rise on a free market. It has tried to reorganize agriculture on the basis of voluntary cooperation in cooperatives and, through cooperative buying of machinery, fertilizer and other farm supplies from industry, to allow the general price level between the industrial and agricultural sectors of the economy to be fixed on the basis of central bargaining which gave it some control. The response of the countryside has been slow. The embargo continued and the wheat stockpile discussed in Washington is now urgently desired for its psychological effect on the countryside to induce the peasants to desist from holding out for higher prices. The foregoing is a rough outline of the inflation problem. The government is failing to control the situation. People are clamouring for freedom in all sorts of ways. They live a far freer and easier life than they did two years ago or even a year ago. Fear of the secret police has largely disappeared.

4. There has been a succession of incidents throughout the country which have followed a familiar pattern. Someone, generally drunk, has created a disturbance. The police have quite naturally tried to preserve order. Companions of the inebriate have joined in. A crowd has gathered. The police have orders not to shoot or take other action which might provoke the populace. The crowd generally follows to some police station and gets mad-

dened at the sight of communist authority. The police are generally greatly outnumbered. Ultimately, there is some bloodshed and publicity.

5. Other trouble has started in factories. Worker's councils were designed to give the workers some say in the running of a plant and generally, by making them more alive to the problems of the plant, to secure greater cooperation and efficiency. The setting up of workers' councils was paralleled by a programme of decentralization of management. Industry was nevertheless expected to operate within general plans worked out by the economists.

6. In the Warsaw area 80% of industrial establishments have workers' councils and an average of 40% of the councils are communists. Nevertheless, in some the communists have been a small minority, and recently an election was fought in the Warsaw construction industry with the slogan openly broadcast: "No communists in the council". The workers generally consider that the councils should discuss wages. The role of the Party is to see that the workers are "educated and also to head off discussion of things not within their competence".

7. When the results of the first quarter were announced it was disclosed that industrial production was 107.1% of the target. However, this quarter was experimental in a period of change and it was emphasized that the target had been set deliberately low. Much more serious was the fact that the rise in wages was 28.5% higher than the corresponding period of 1956. Some rise had been planned, but the Minister of Finance said that the rate was 8% higher than had been planned.

8. During the debate on the budget, a party deputy who is also vice-chairman of the Central Council of Trade Unions, discussed the rise of wages. He said that in 1956 national income had risen by 7% and consumption by 125.8%, while in 1957 industrial production was to rise by 4%, and agricultural production by 3.7% while consumption was to grow by 11%. The increased consumption was to be obtained by limiting investments, outlays on armaments and even at the cost of obtaining foreign credits. This statement was essentially a definition of government policy and far removed from a similar speech by a trade union leader in any western country when a central issue was the standard of living. The speaker let the cat out of the bag, however, when he said the government's policy could not be a long-term one and added "that is why the categorical *postulates for wage rises, supported by resolutions, mass meetings and even in some cases by strikes*, do harm to the permanent foundations of the national economy ...", etc.

9. It was not disclosed why the wage rise was 8% higher than had been planned, but it is pretty obvious from the continuous stream of articles designed to improve the party's handling of the workers' councils and the frantic efforts of the government to avoid incidents which might start any mass movement has resulted in the authorities giving way on wage demands. In fact, I think we are witnessing in Poland a general breakdown of the communist control over the economy.

10. Blackmarketeering is rife. I have reported the operations of PKO, an agency designed to give Poles greater benefits than they could obtain under official exchange rates on gifts, inheritances, pensions, etc. received from abroad. Recently the operations of PKO were extended to enable gifts to be surrendered for cash, merchandise imported through PKO then being put on the market. This merchandise is bought by speculators who are tipped off when it is available and sold openly at prices three and four times the cost of similar articles which occasionally (very rarely) are seen in state stores. Western merchandise, such as refrigerators, radios, cars are sold, re-sold again at substantial mark-ups. Once they get past

the official control offices of some sort and the law permits uncontrolled transactions, the prices invariably skyrocket.

11. Sham transactions are the rule whenever the government control is inconvenient.

12. Every western mission is overwhelmed with consular work, frantically endeavouring to increase its staff and urgently looking for accommodation. The Foreign Ministry has given up. I have reported the various efforts we have made and it is outside the scope of this despatch to discuss details. However, our experiences in recent weeks have made me acutely conscious of the extent to which Poles are trading on the basis that a bird in the hand is worth two in the bush. Briefly, everyone wants substantial advance payments. The dollar is triumphant. The problem is to try to give us some long-term protection.

13. Internal devaluation of the zloty has not been suggested. Memories of the population of the last devaluation are still vivid and I am inclined to think that the government would not dare to impose a similar scheme at this time. The Minister of Finance, when the budget was under consideration, said that the issue of currency had proceeded according to plan. I took this to mean that there had been no resort to the printing press and indeed I think the Polish economists such as Oskar Lange and others are above that sort of thing. A favourable symptom is that deposits in savings accounts are said to have substantially increased, which indicates a greater degree of confidence in the government, at least on the part of those who have savings to deposit.

14. Much of the unrest and disturbances can be traced to youth. The party has had all sorts of trouble with youth organizations. I have concluded that the younger generation has learned at an impressionable age within the privacy of homes, sometimes in shared rooms in miserably cramped quarters, what their parents really think of the régime. If the country had had better housing accommodation and social services generally, propaganda through the schools might have been more effective. As it is, the notion which I used to hear expressed in the West that the younger generation would be lost to communism has proved completely fallacious.

15. We sent you Cardinal Wyszynski's speech to the youth of Wroclaw, one of the most magnificent speeches I have ever read. It is clear that the Cardinal is deeply disturbed at the injury to the moral fibre of the people of Poland and its youth in particular. I think he probably considers that, however much he may not like it, some cooperation with the régime is desirable simply to enable the church to exert some influence toward the improvement of the moral fibre of the nation.

16. To sum up, the economic situation poses almost insuperable problems for the government. The population is restless, wise when it reflects, but frustrated to the point of restlessness, almost explosive on occasion. If it became exercised at some development, the situation might get rapidly out of hand.

17. The bright side of the picture is that there are innumerable intellectuals, leaders, non-communists, intelligent and generally decent people who are making an effort to improve conditions. The ministries, such as Foreign Trade for example, have brought men into responsible positions who were formerly marking time in jobs beneath their capacity while party stalwarts mismanaged the country. Many of them are working wholeheartedly for the present régime simply because the developments in its current programme are headed in the right direction. Their concern is not to undo what is good by provoking a reaction in the party at the top or in Moscow, or in both places.

18. I have felt for some time that some of the officials were uneasy. Obviously any intelligent person would be uneasy. However, I put this uneasiness in the context of their uncer-

tainty concerning the top party direction. There is a possibility that Gomulka is in ill health and that this fact has been covered up. There have been recurrent rumours which have brought forth prompt denials. At one time, he was reported to have been shot. On another, wounded in the shoulder. One of the latest is that he had cancer. I have not reported these incidents because they were obviously fabricated and I accepted the official replies which attributed them to Stalinist elements trying to undermine the October achievements. I was told, however, by the First Secretary of the Norwegian Legation, a man with considerable experience in communist régimes and who speaks Polish fluently, that he had concluded that Gomulka has lung trouble. He is inclined to accept a report that he has a non-malignant tumour. According to this report, he must shortly have an operation and it is a question whether it is Moscow, Stockholm or Switzerland. The betting is Stockholm. He says he was told by the leading cancer specialist in Warsaw that he could not have cancer because he would have been certain to have heard of it.

19. It is possible that this story may be equally without foundation. However, I have been impressed with the fact that Gomulka never puts in an appearance at receptions or indeed any event where ceremony or protocol is involved. His conduct is consistent with the theory that he is conserving his health. Another symptom is the absence of propaganda building up Gomulka in recent months. For example, the U.S. Embassy put its large staff on a tour of the city to get an impression of the May Day signs and photographs. They could only find one picture in the whole of Warsaw of Gomulka and that in a relatively inconspicuous place. It is no doubt good policy to give the party credit for the recent developments. However, I have wondered whether precautions are not being taken against a popular reaction if for any reasons Gomulka had to step down and the régime were to lose its immense prestige, now diminished, but which has by no means disappeared.

20. The net result of all these things has been to make me uneasy — I cannot find a more appropriate word. I have never in my life been in a situation where I felt quite so uncertain as to what the future might bring forth.[122]

J.P. ERICHSEN-BROWN

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[122] Les notes marginales suivantes apparaissaient sur une feuille de papier jointe à ce document : /The following marginal notes appeared on a paper attached to this document:

Mr Léger: I have just seen this despatch from Warsaw. It strikes me as a very able piece of reporting which should be commended. (Unnumbered despatch of May 7, 1957) It also makes me all the more dubious about the role we are playing over wheat. What can we hope to accomplish by our protests (which are only for the record) which would possibly justify the delay we are imposing on the U.S.-Polish wheat agreement [Voir chapitre premier, 3ᵉ partie, section A/See Chapter 1, Part 3, Section A], an agreement which, as this despatch makes clear, is essential to prevent collapse in Poland. If the history of Hungary is repeated in Poland I hope the Dep[artmen]t of Trade and Commerce will be happy. Could we draw this despatch to the Minister's attention? J.W. H[olmes]

Mr Pick: Could we discuss? J. L[éger]

Discussion did not take place as T&C changed [its] mind the same day [A.J. Pick]

SECTION B

TRÉSORS ARTISTIQUES
ART TREASURES

574. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], March 8, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

POLISH ART TREASURES

32. *The Secretary of State for External Affairs* referred to his memorandum on the situation respecting the Polish art treasures sent to Canada at the beginning of the last war. These had originally been stored at the Central Experimental Farm. Subsequently, a portion was removed and returned to Poland. The remainder was now distributed between the Quebec Provincial Museum, the Ottawa branch of the Bank of Montreal and, it was believed, a Polish Catholic Church in eastern Ontario.

The Polish government had consistently charged the Canadian government with responsibility for the safe return of these treasures. Canada's position, on the other hand, was that the government had no responsibility for the art collection, and that Poland could have recourse to the courts if it so wished. Recently the legal position had been re-examined, and it seemed that Poland would not now be able to bring civil proceedings before the courts. It was also thought that the Federal government might have incurred a legal responsibility for the protection of the treasures held in Quebec and for their return. It would appear that such parts of the collection within the Federal government's power to return, should be restored. As a first step, the two boxes of treasures held in the Bank of Montreal, most of which appeared to be uncontested Polish state property, might be obtained. Later, when further information was available on the question of ownership of particular pieces, they might be restored to Poland or to individual owners.

It was recommended that the Bank of Montreal be given an indemnity against all loss, claims or expense arising from delivery to the government of Canada of the Polish treasures in the bank's possession, and that no announcement be made about this, or no undertaking given at this stage to the Polish government as to the ultimate disposal of this part of the art collection.

An explanatory memorandum had been circulated.

(Minister's memorandum, March 5, 1956 — Cab. Doc. 54-56†)

33. *Mr. Pearson* noted, however, that consideration of this proposal could be deferred until a more convenient time for discussion.

34. *During the discussion* it was suggested that the present was not an auspicious time to open up the question, and that it should be deferred at least until after the election in Quebec. It was also pointed out that, by taking over the cases held in the Bank of Montreal and returning the contents either to Poland or to the rightful owners, if they could be found, the government was assuming a responsibility to see that other such treasures held in Canada were returned.

35. *The Cabinet* deferred decision on the recommendation of the Secretary of State for External Affairs regarding the disposition of that portion of the Polish art treasures held by the Bank of Montreal.

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575. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 171-56 Ottawa, August 1956

SECRET

POLISH ART TREASURES

On June 27, the Polish Minister of Foreign Affairs handed a note to the Canadian Chargé d'Affaires in Warsaw on the subject of the Polish art treasures. The Note is couched in terms strong enough to leave no doubt as to the importance attached to the return of these treasures to Poland by the Canadian Government. The Note states that the "Polish Government would like to recall that it has presented this matter to the Government of Canada on various occasions since the end of hostilities, i.e. for 11 years through diplomatic channels in numerous notes, official interviews and public declarations ..."; that the Polish Government had obtained assurances from the Canadian Government as far back as 1952 that vigorous steps would be taken to ensure the return of the treasures to Poland; that these assurances had not been fulfilled; and that the "Polish Government is compelled to transmit anew its categorical request to the Canadian Government that the priceless collections of Polish culture and history be returned to the Polish people".

2. The Note then points to the "rising indignation of all Poles and friends of Poland" and to the growing concern over the fact that the treasures are not being stored under proper

conditions, and that "lacking proper and careful conservation" are "subject to unavoidable destruction". "The Canadian Government", it asserts, "cannot ignore the opinion of many experts, prominent men in culture and art in Poland, Canada and other countries who have warned against the danger threatening the famous 136 Arras tapestries and other treasures", and "it will undoubtedly admit that it has no justification for the losses sustained by Polish and world culture resulting from keeping the above-said treasures in Canada". The return to Poland of her undisputable national property would also confirm numerous assurances by Canadian statesmen addressed to representatives of the Polish government and in the international field to the effect that the Canadian Government was endeavouring to remove all obstacles hampering international co-operation and friendship. The Polish Government declares that together with the Polish people it will not spare any effort to obtain the return of the Polish treasures, that it expects the Canadian Government to take immediate steps and give the necessary orders so that her national monuments may be returned to Poland. The Polish Government is anxious to end as soon as possible the diplomatic correspondence in this matter and is of the opinion that the only reply to this note will be the return of the Polish treasures".

3. This Note is the most recent development in a dispute which has been going on since 1945 concerning a number of cases and trunks of Polish art treasures brought to Canada in 1940 for safekeeping. The attached record provides a brief history of the fate of these treasures in Canada. I should like, however, to draw your attention to their present whereabouts. As you probably know, 23 trunks and one case are in the Provincial Museum in Quebec City and according to the Premier of Quebec, would be released only in compliance with the order of "a competent court". Two trunks are being held in the vaults of the Bank of Montreal, Ottawa, which is only willing to release them over the signatures of the depositors or their executors, or on condition that it be promised compensation for any loss it might sustain by virtue of turning over the treasures to the Canadian Government. The location of the remaining trunks is less certain. They are believed to be held in the basement of a Roman Catholic Church at Wilno, near Killaloe, Ontario, but this has not been verified.

4. The question, on which I submitted a memorandum to the Cabinet on March 5, 1956, is now even more likely to become an international issue, and, unless the Canadian Government can give some satisfaction to the Polish government, we will almost certainly be faced with a dispute in the United Nations or in the International Court of Justice. The Polish Foreign Minister hinted at this when he called in our Chargé d'Affaires in Warsaw to present the Note of June 27. He stated that in the event of there being no satisfactory result from the present request, the Polish Government would consider other ways of settling the matter. I think there can be little doubt that the position of Canada would be legally and morally difficult to defend, and that we would be placed in a most embarrassing position if we are forced to defend ourselves before world public opinion. I might note incidentally that the Soviet Government has recently returned to Roumania historical Roumanian treasures which had been removed to the U.S.S.R. during the war. A Soviet statement pointed out that the government and people of the U.S.S.R. have always regarded the Roumanian treasures as the inalienable possession of the Roumanian people themselves, in spite of being at war with their government, and that the Soviet people had carefully preserved all these works of art in spite of the devastations of two World Wars. The Soviet Union has likewise returned the Dresden Art Collection to East Germany and other treasures to Poland and Yugoslavia, all reportedly in good condition.

5. On almost every conceivable occasion during the past ten years the Polish government has protested the role of the Canadian government in this affair and charged the Canadian

government with responsibility for the safe return of the treasures. At the same time the records of the Department of External Affairs contain evidence of the existence of a sentiment in Canada emanating particularly from Roman Catholics and emigrants from Communist-dominated countries, that these treasures should not be returned to the present Communist régime in Poland. The Canadian government originally took the position that the dispute was one between the Polish government and its own citizens; that Canada had assumed no responsibility for the art collection and that the present government of Poland could have recourse to the Canadian courts if it so wished.

6. Over the last two years we have re-examined our legal position and this has resulted in a modification of some of our previous views; these modifications have not been stated to the Polish Legation. It is not clear that the Statute of Limitations in Ontario and the corresponding provisions of the civil law in Quebec would now prevent the Polish government from bringing civil proceedings before the courts even if it wished to; but in any case that Government has made it quite evident that it holds the Canadian Government responsible for the return of all the treasures and it is not prepared to submit the matter to the jurisdiction of a Canadian court. Canadian recognition of the Polish government in 1945 necessarily involved recognition of the unconditional right of the present Polish régime to property owned by previous governments of that State. As I said earlier, because of actions taken in Canada by private individuals and by the Quebec government, there is every possibility that the Canadian government has incurred an international legal responsibility for the protection of all the treasures held in Canada and for the return to Poland of that part of the treasures which is being held by the authorities of the Province of Quebec, i.e. by Her Majesty in right of Quebec. I therefore believe that the Canadian government should, if possible, restore to the Polish government at least such parts of the collection as it may be within our power to return. By such action we should be able to some extent to clear ourselves before the bar of world opinion and prove our good faith in this matter.

7. In order to make progress on the matter we have considered a number of possible solutions. The constitutional aspects of the case might be referred to the Supreme Court of Canada, or the Polish government might be encouraged to take the case to an international tribunal. However, because of the likelihood of the Canadian government being judged responsible for the restoration of all or part of the collection to Poland, it seems inadvisable to seek a judicial decision, nationally or internationally. The Polish government has in any case in the past made no move to seek judicial solution in the Canadian courts.

8. As the most practical course, therefore, the Bank of Montreal was approached by my Department concerning the possibility of releasing the two trunks in their possession. In a letter dated August 18, 1955, the Bank of Montreal replied that it was prepared to deliver the two trunks to the Canadian government provided that the Canadian government agrees to indemnify the Bank against all loss, claim or expense which the Bank might suffer by reason of such delivery; if the Canadian government was satisfied that the trunks and their contents belonged to the Polish government, the Canadian government could then, on its own responsibility, turn them over to the Polish government.

9. Officials of the Department of Finance have indicated that they would be agreeable to the Canadian government undertaking to give the Bank of Montreal an indemnity of the type required. The Department of Justice has drafted a suitable text, a copy of which is attached.

10. The bulk of the property deposited in the Bank of Montreal is uncontested Polish state property according to an inventory provided in 1947 by the anti-Communist "London Poles" and signed by Mr. Polkowski, one of the joint depositors. Three of the items in the

trunks are alleged, by the London Poles, to be private property owned respectively by a Polish ecclesiastical institution and a Polish Countess.

11. It may be asked what is likely to happen to the trunks if the Canadian government does not acquire possession. I think that the answer is that they will remain indefinitely in the Bank. Polkowski, one of the depositors, remains anti-Communist and will not sign a release to the Polish Government. Zaleski, the other depositor who later returned to the Communist camp and is believed to have since died (or his executor if he is dead) supports the present Polish government and obviously will not join in releasing the trunks to anyone except the present Polish government.

12. I therefore recommend as a first step towards a solution of this difficult problem that Cabinet approve the granting of an indemnity, similar to that attached, to the Bank of Montreal, absolving the said Bank from all loss, claim or expense which it might suffer by reason of delivery to the Canadian government the two trunks of Polish treasures now in its possession; and that we inform the Polish authorities that a good possibility exists that we may be able to get the Bank to agree to release the trunks to the Canadian Government, which would then be turned over to the Polish authorities, but that before the Bank could be approached on this basis it would be necessary for us to request that the Polish Government undertake, in this eventuality, not to claim against either the Bank of Montreal or the Canadian Government if, when they are turned over, the treasures had been in any way damaged or deteriorated.[123]

13. I attach a brief record of the Polish art treasures dispute.

L.B. PEARSON

[PIÈCE JOINTE 1/ENCLOSURE 1]

Note

AGREEMENT BETWEEN HER MAJESTY THE QUEEN IN RIGHT OF CANADA AND THE BANK OF MONTREAL

In consideration of delivery by the Bank of Montreal to the Government of Canada as represented by the Department of External Affairs, of two trunks and their contents which were deposited with the Main Branch of the Bank of Montreal in Ottawa on or about the 2nd day of March, 1945, by two persons who identified themselves as Dr. Stanislaus Swierz-Zaleski and Mr. Joseph Polkowski, Her Majesty the Queen in right of Canada, as represented by the Secretary of State for External Affairs, hereby agrees to indemnify and hold the said Bank harmless from and against all loss, claim or expense to which the said Bank may be put by reason of such delivery, and in particular Her Majesty agrees to:

(1) conduct the defence of any action brought against the said Bank and to defray all legal expenses arising therefrom, and

(2) pay any judgment which may be given against the said Bank in any such action.

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[123] Lors de sa réunion du 25 octobre 1956, le Cabinet « noted the report of the Secretary of State for External Affairs on the status of the Polish art treasures ... and agreed that the Department of Justice be consulted on the legal position of the government of Canada in respect to them. »

At its meeting on October 25, 1956, Cabinet "noted the report of the Secretary of State for External Affairs on the status of the Polish art treasures ... and agreed that the Department of Justice be consulted on the legal position of the government of Canada in respect to them."

SIGNED, SEALED AND DELIVERED on behalf of Her Majesty the Queen in right of Canada, by the Secretary of State for External Affairs, and by the Bank of Montreal by affixing thereto its corporate seal duly attested thereto by the proper officers in that behalf.

Witness ____________________ ________________ Secretary of State for External Affairs

Witness ____________________ ________________ Bank of Montreal

[PIÈCE JOINTE 2/ENCLOSURE 2]

Note

BRIEF HISTORY OF THE POLISH ART TREASURES DISPUTE

In 1940 the Canadian Government permitted the entry into Canada "as the property of the Polish Government and to remain their property" a number of cases and trunks containing Polish art treasures. The treasures were later stored by the Polish Legation in the Records Storage Building of the Central Experimental Farm, Ottawa, on the clear understanding that the Canadian Government assumed no responsibility for the safekeeping of these articles.

2. In 1945, prior to the recognition by Canada of the new (Communist) Polish Government in Warsaw, most of the treasures were removed, without the knowledge or consent of the Canadian Government, by representatives of the former government-in-exile in London. After a number of manoeuvres by the two Polish factions it was established that the representatives of the anti-communist group had stored 23 trunks and one wooden case in the basement of the Hotel Dieu Convent in Quebec City. In 1948 this portion of the treasures was transferred to the Provincial Museum in Quebec City, and according to the Premier of Quebec would be released only in compliance with the order of "a competent court". The Premier of Quebec has moreover stated recently that "no deal, agreement or compromise will ever be made with the contemptible Communist Government of Poland for their return".

3. Eight cases of the treasures removed from the Records Storage Building were stored in the Convent of the Precious Blood of Jesus, Ottawa. Following inquiries of this department and the efforts of officials of the recognized Polish government we learned that this part of the collection had been released by the Convent to one of the former signing custodians and removed to places unknown. A report in 1950 suggested that the missing trunks were located in St. Mary's Roman Catholic Church at Wilno, Ontario, in the Killaloe district. The fact that the parish priest of this church, Father Wiloski, had been on very friendly terms with the former Polish Minister now in exile and that there are large vaults in both the church basement and in the Glebe House which could store a considerable number of packing cases and boxes seems to give credence to this report but it has not yet been verified. In March 1951 the suggestion was put forward that we ask the R.C.M.P. to confirm the existence of the cases at Wilno either by specifically asking Mr. Kosar or Father Wiloski, or if they proved unco-operative to obtain direct entry into the church building by means either of a search warrant or by a less formal method. However it was decided temporarily to drop the matter for the following reasons:

(a) No search warrant could legally be taken out without Court action, and the Polish Government was evidently not prepared to take the matter to court;

(b) It was considered that a formal request for information from Father Wiloski might result in a new wave of unfavourable publicity and possible further intrigue between the rival Polish factions;

(c) We did not consider that the R.C.M.P. could be expected to provide indefinite surveillance of the Wilno area nor, after the Hotel Dieu incident, could we expect them to relocate the treasures should they be spirited away again.

As a result, despite periodic suggestions that we take steps to explore further the situation at Killaloe — if only to ascertain the condition of the treasures — no action has been taken since that time.

4. Two other trunks were deposited, locked, in the Bank of Montreal, Ottawa, in March 1945. The signing depositors, Dr. S. Swierz-Zaleski and Mr. Joseph Polkowski, did not specify to the Bank at the time whether they were acting in their official capacity as custodians appointed by the former Polish Government or as private individuals. (Zaleski subsequently returned to the communist fold in Poland and the Bank thinks he is dead. Polkowski, who is still anti-communist, is believed to be in Canada). We have recently directed efforts to obtaining the release of these cases from the Bank. The legal position of the Bank is that before release of the trunks it requires the signatures of the two original depositors, but one of the depositors will not sign. The Bank has, however, indicated that it will be willing to release the trunks to the Canadian Government if the latter will indemnify the Bank and hold it harmless from all loss which it might suffer as a result of the release of the trunks.

5. The portion of the treasures which remained at the Records Storage Building was removed by the Polish Legation (Communist) and returned to Poland in 1948.

6. Since the end of the war we have received numerous protests and demands for the return of the treasures which, the Poles have alleged, were delivered to Canada "in trust". These protests have taken the form of Notes to the Department of External Affairs and to the Canadian Legation in Warsaw, letters and petitions from individuals and organizations in Poland, private conversations between Polish officials and members of the Department of External Affairs, and bitter articles in the Polish press. The question was also raised in the General Assembly of the United Nations in 1949 by the Polish Delegation. In reply to the latter's allegations the Canadian representative, General McNaughton, made a statement to the Plenary Meeting of the General Assembly on April 28, 1949, in which he reiterated the position of the Canadian Government to the effect that the Courts of Canada have always been open to the Polish officials, and that the Canadian Government had never accepted the treasures "in trust". This was the position which had been taken by Mr. St-Laurent in a statement to the House of Commons on March 4, 1948, and in our reply to the Polish Note of April 20, 1949, which was transmitted to the Polish Legation on September 20, 1949.[124] The last Note received from the Poles prior to that of June 27 was in March, 1952, when the Canadian Chargé d'Affaires in Warsaw was asked to call at the Ministry of Foreign Affairs where he was handed a more strongly-worded note than had to date been received.[125] We did not, however, abandon our position, and Mr. Pearson informed the Polish Foreign Minister in New York in December, 1952, that Canada had

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[124] Voir/See Volume 15, Document 1013.

[125] Voir volume 18, chapitre X, 2^{e} partie, section B, subdivision 1.
See Volume 18, Chapter X, Part 2, Section B, Sub-Section 1.

not accepted the treasures "in trust" and that court proceedings remained open to the Poles. Mr. Pearson did agree with him, however, that Canada had some responsibility to do everything possible to ensure that the treasures did not deteriorate, and promised to look into this question to see whether anything could be done.

7. Since Mr. Pearson's conversation with the Polish Foreign Minister in December, 1952, there has been no public statement or official communication to the Poles by the Canadian Government along the lines of our previous policy. This change in our position was due to a re-examination of certain legal aspects of the problem which revealed that the Canadian Government is probably responsible under international law for the portion of the treasures seized by the Quebec Government, and that the Polish Government might not be able to seek redress in the ordinary courts in Canada. Moreover it became clear that the Government could not avoid accepting a certain responsibility for the condition of the treasures; their alleged deterioration could make Canada subject to censure not only by Poland but by world opinion as well. We did not, however, indicate to the Polish Government these changes in our position, but instead assured it informally on a number of occasions during the past two years that we were keeping the matter constantly under review. Our position was made easier by the fact that the Poles in recent years have seemed more interested in making progress step by step than in embarking on a major effort to embarrass us internationally, and had accepted our assurances that we were attempting to find a solution to the Bank of Montreal treasures as a first step. Our failure to suggest any solution prompted the Note of June 27.

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576. DEA/10258-40

Note du chef de la Direction du Commonwealth et du Moyen-Orient pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Commonwealth and Middle East Division, to Under-Secretary of State for External Affairs

SECRET [Ottawa], January 12, 1957

The new Polish Chargé, Mr. Sieradski called on the Minister this morning. He spoke of the difficult and delicate position in which Poland found itself, especially now with an election due on January 20. The chief danger came from the two extremes: those who would prefer to return to the position before the de-Stalinization and those who wished to go over to an openly anti-Soviet policy. The situation was complicated further by economic difficulties, but the Government had already received generous Soviet assistance and was at the same time turning toward the West for such commodities as cotton, wheat, agricultural and mining machinery, etc. with so far no indication of Soviet disapproval.

2. The Minister expressed sympathy with Poland's difficulties and admiration of the courage and wisdom the Poles had shown in their dealing with the Russians.

3. When the Minister referred to the question of the Polish Art Treasures, Mr. Sieradski said that he had had no instructions to speak on this topic and had not intended to mention it on his first courtesy visit. In his opinion, however, it would be of great significance and help to the Government in maintaining and consolidating the initiatives it had taken if even the part of the treasures held in the Bank could be returned. Such a gesture would gain a great measure of support for the Government from the people as a whole, for it would be an indication that the new policy was succeeding in improving relations with the West.

4. The Minister said that, speaking personally and privately, he was sure that if the Polish ecclesiatical authorities would interest themselves in the matter it might be very effective. We were facing an election here this year and the Government naturally did not wish this matter to become a controversial issue. The ordinary Canadian citizen who could not read behind the headlines did not understand the significance of a Nationalist Communist movement, and still thought of Poland merely as a Communist country and consequently pro-Soviet. There were some indications, however, with the improvement of the position of the Church in Poland, of a change of attitude in the Polish Canadian communities towards the return of the treasures.

5. The Chargé said that of the letters received at the Embassy on this subject about 99 out of 100 were in favour of the return of the treasures. Mr. Pearson said that we were looking into the legal aspects of the treasures deposited in the Bank. He understood that one of the two depositories, whose signatures were required for the release of the treasures, had died. Mr. Sieradski said that this was true, and that they had in their files a document signed by him authorizing the release of the treasures to the Polish Government. The Minister had not known of this and wondered whether the circumstance had been communicated to us. The Chargé said that he understood that the other depository, Mr. Polkowsky, now resident in Ottawa, was not opposed to the return of the treasures, but that the people behind him were. The Minister supposed that if Mr. Polkowsky signed, the matter would be solved as far as the treasures in the Bank were concerned. In any case, we would look into the matter again and see what could be done.

6. Mr. Sieradski said that he was spending a great deal of time these days reading the Polish press. It was full of critical material presented under the guise of socialism but actually anti-Communist and anti-Soviet. It was plain that now, for the first time in many years, people could say and write anything they pleased. The Government could, of course not permit action or organization for the carrying out of such opinions — that would be suicidal. He only hoped that the Polish temperament, which tended naturally to go to extremes, could be sufficiently restrained that they would not lose the ground they had gained.

7. The Minister told the Chargé that he would always be at his disposal if there were any matters he wished to take up with him. The fact that we had not exchanged Ambassadors made no difference in this respect.

J.B.C. W[ATKINS]

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577. L.B.P./Vol. 31

Extrait d'une note du secrétaire d'État aux Affaires extérieures pour le sous-secrétaire d'État aux Affaires extérieures

Extract from Memorandum from Secretary of State for External Affairs to Under-Secretary of State for External Affairs

CONFIDENTIAL Ottawa, February 5, 1957

Last Saturday I had quite a long conversation with Mr. Jozef Winiewicz of the Polish Delegation. He was their Ambassador in Washington and is now Deputy Minister of Foreign Affairs.

I have known him in the past, even when Poland was under Stalinist control, as a friendly and agreeable person. He now speaks much more frankly, of course, than he did because he is one of the leading moderates in the new régime and is delighted at the course of events. Indeed, he talked to me about Stalinist and Russian forces in Poland in the same terms that we would use among ourselves. He emphasized that the moderates were, however, faced with many difficult and complicated problems and that the struggle for supremacy between them and the Stalinists was still going on and the results were doubtful. One way of rallying public opinion against the Stalinists was to show them that the new régime got friendly understanding from the West. Obviously Western countries could not be too obvious in their support, any more than the Polish Government could be too obvious in its determination to follow a nationalist Polish policy. Indeed, he added, there were times when they would have to take a step backward in order to take two steps forward, but the trend was certainly in the right direction and the Western powers could help by their attitudes.

This gave him the opportunity to bring up the subject which was uppermost in his mind, the Polish treasures. He said that the Polish people were at a loss to understand why there had been no progress in settling this matter; that nothing had been done even in regard to that part of the treasure which was in the vaults of the Bank of Montreal in Ottawa. The Stalinists in Poland and the pro-Russians were continually using the fact of our refusal to do anything to meet the Poles in this regard as evidence of the irreconcilable hostility of countries like Canada even to a moderate Polish régime. They contrasted this with the Russian policy of returning to Poland everything that had been taken away during the war. Could we not do something; make a first move?

I told Winiewicz very frankly about our difficulties; that we were particularly anxious not to get this matter embroiled in domestic politics, and that we had an election coming up. However, I agreed to have another look at the question to see if we could not begin to discuss some mutually satisfactory arrangement regarding that part of the treasure in Ottawa, even if nothing could be actually done until after June.

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578. DEA/837-40

Note du secrétaire d'État aux Affaires extérieures pour le premier ministre

Memorandum from Secretary of State for External Affairs to Prime Minister

SECRET [Ottawa], March 7, 1957

POLISH ART TREASURES

There are a few recent developments in this question which I should like to bring to your attention.

2. As you will have noted in the press during the past few weeks, the evolution of a kind of national communism in Poland, and the support which the Catholic Church gave Gomulka in the January elections, have attracted widespread attention. The response of Poles in Canada has perhaps been more conservative than that of Poles in the United States who reacted very quickly with offers of relief when Poland's economic difficulties were publicized. Nevertheless, I have been particularly impressed by a marked change in the tone of articles in the Canadian Polish emigré press, notably in the Winnipeg *Times*, official organ of the Canadian Polish Congress, and *ZWIAZKOWIEC*, official organ of the

Canadian Polish Alliance, both of which have of course been strongly anti-communist but are not now anti-Gomulka.

3. The editor of *ZWIAZKOWIEC* recently informed us that he was going to Poland this month to investigate conditions there on behalf of the Alliance, which now believes that there should be closer cooperation between Poles in Canada and the Gomulka Government. Many Poles have recently contributed money for Polish relief and Cardinal Wyszynski has agreed to be responsible for the distribution of this money. The Winnipeg *Times* has published several items expressing the opinion that the Polish Treasures belong, not to Poles in Canada, but to the people of Poland, a reversal of its previous position. As the emigré groups are in a position to facilitate the return of the Treasures, I think that these developments are of particular significance.

4. The question of the Treasures has recently been discussed by myself and members of the Department with Mr. Sieradski, the Polish Chargé d'affaires. Mr. Sieradski mentioned that the Legation had been in touch indirectly with Mr. Polkowski, one of the signatories of the Bank of Montreal Treasures. As a result of their soundings, the Polish Legation thought Mr. Polkowski might be willing to sign the papers the Bank would need in order to release the Treasures, but at present is deterred from doing so by the feeling among his principles in the Polish emigré groups in Canada that this action would not be in accordance with the wishes of all Polish Canadian groups nor with Canadian Government policy. Though Polish-Canadian opinion is still divided, developments in Poland, particularly the forthcoming visit of Cardinal Wyszynski to the Vatican may bring about greater unanimity among the emigrés on matters of national concern to Poland.

5. Mr. Sieradski also stated that the Polish Legation was in possession of a document signed by Mr. Swierz-Zaleski, the other depository of the Bank of Montreal treasures, authorizing the release of the treasures to the Polish Government. Mr. Zaleski returned to Poland in 1948 and died there in 1951.

6. On the basis of the above, we asked Mr. Sieradski if he could provide us informally with a photostat, of the Zaleski document in order that our Legal Division might study it. This has been done, and I have been advised that in view of the death of Zaleski, the document is technically inoperative from the strictly legal standpoint. We propose, however, to approach the Bank officials informally and privately in order to ascertain their precise requirements in this regard, apart from a Government indemnity such as we had discussed with them last year.[126] It may be that the Bank would consider a release signed by the surviving depositor (Mr. Polkowski), taken together with the obvious indication of intent which Mr. Zalekski's "power of attorney" represents, might meet the requirements of the Bank Directors, who are no doubt anxious to be rid of the Treasures if they can see their way to releasing them without the risk of incurring liabilities. We would however make it absolutely clear to them that the Cabinet has not yet decided to proceed with an indemnity waiver such as had been tentatively discussed with officials of the Bank last summer.

7. Depending on the results of our approach to the Bank, we might find some means of indirectly sounding out the Polish emigrés in a position to speak with authority on this matter to see whether we could come to an understanding with them which would enable Polkowski to sign a release.

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[126] Note marginale :/Marginal note:
I agree L. St. L[aurent]

8. If the Bank of Montreal would be prepared to release the two trunks in their custody on the basis of Mr. Polkowski's signature and the Zaleski document, then I think we should have to consider further whether any confidential and informal approach might be made on behalf of the Government to Mr. Polkowski or one of the other leaders of the Polish-Canadian group. Our object throughout should, I think you will agree, be to keep any governmental intervention very much in the background at this time, and so far as possible leave it to the Polish emigrés themselves to come to their own conclusions and take the credit for any progress in breaking the deadlock which may be achieved along these lines.[127]

L.B. PEARSON

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579. **DEA/837-40**

Le sous-ministre de la Justice
au sous-secrétaire d'État aux Affaires extérieures

Deputy Minister of Justice
to Under-Secretary of State for External Affairs

Ottawa, April 12, 1957

158904
POLISH ART TREASURES

Dear Sir:

By letter of November 7, 1956,† you requested my opinion with respect to certain legal aspects of the above matter. Certain discussions have been held between Miss Ritchie of this Department and officers of your own in an attempt to ascertain the questions upon which my comments were desired. I understand that these questions may be summarized as follows:

1. Whether Canada is under any international obligation to Poland arising out of:

(a) the storage of the treasures on Federal property and the entry of the Polish treasures as Polish State property in July, 1940 and the mere presence of the treasures in Canada;

(b) the removal of some parts of the treasure from storage in the Records Storage Building, Ottawa, in the Spring of 1945, by representatives of the Polish Government-In-Exile;

(c) any alleged failure of Canada to provide assistance to the new Polish Government in locating and obtaining possession of the treasure;

(d) any failure of Canada to prosecute the persons who removed the treasure from the Records Storage Building or subsequent places of custody or who have in their possession any part of the treasure.

2. What possible steps might be taken to recover the treasures.

3. Whether Polkowski, one of the original depositors of the treasure in the Bank of Montreal, could be prosecuted under Section 282 of the Criminal Code of Canada for breach of trust.

4. Whether Canada would be liable to Poland for deterioration of the treasures.

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[127] Note marginale :/Marginal note:
I agree L. St. L[aurent]

With respect to paragraphs (a) and (b) of the first question, I have not been referred to any authority that Canada could be said to have incurred any international obligation to Poland arising out of the matters therein set forth. The treasures were entered as Polish State property under custody of an official of the Polish Government, and without any inventory of the contents being furnished to the Canadian Government; they were held first at the Polish Consulate in Ottawa, under the custody of officials of the then-recognized Polish Government; they were stored thereafter by an arrangement between the Consul General of Poland, Victor Podoski, and Gustave Lanctot, then Dominion Archivist. The latter arrangement is set out in an exchange of letters dated August 1 and August 2, 1940, which supports the contention that Poland remained in full control of the space allocated, and retained a "free hand" in dealing with the treasures. The present Polish Government must be taken to be bound by this agreement.

Further, since full control over the treasures during such time as the former Polish Government was recognized by Canada, was exercised exclusively by the Government of Poland in the same manner as it exercised control over any of its other property in Canada, the Canadian Government could not legally have intervened to secure control of the treasures from the then-recognized Government of Poland.

Accordingly, on the above facts, I have not been able to ascertain any basis upon which Canada could be said to have become responsible to Poland by reason of the entry of the treasures into Canada or their storage on Federal property under the exclusive control of the Polish Government in accordance with the arrangement noted above.

Similarly, since those portions of the treasures which are the subject of complaint were removed by persons acting under the instructions of the Polish Government-in-Exile in the Spring of 1945, while such Government was still officially recognized by Canada and while its acts with respect to this Polish State property could not be questioned by Canada, I am unable to ascertain any legal basis upon which Canada can be said to have become responsible to Poland for the removal of the treasures from the Records Storage Building.

Paragraph (c) of the first question raises the problem whether Canada is under international responsibility to Poland arising out of any alleged failure of Canada to provide assistance to the new Polish Government in locating the treasure. I am not in possession of enough facts to be able to provide any comments of assistance on this aspect.

With respect to paragraph (d) of the first question, it appears that a State would be subject to international liability if it has failed to show "due diligence" in prosecuting and punishing wrong doers within its jurisdiction who have attacked the persons or property of foreigners. No information has been brought to my attention, however, which would suggest that any crime has been committed.

By the second major question noted above, the problem is raised as to the steps which might be taken to recover the treasure. The legal questions could probably be most satisfactorily determined by civil proceedings commenced by the Polish Government against the person or persons believed to have custody or control over the treasures. You might wish to refer to my letter of April 27, 1949 to Mr. E.R. Hopkins of your Department, suggesting that the Polish Government should canvass the possibility of taking action against Dr. Babinski. I might further direct your attention to the second, third and fifth paragraphs of Mr. Garson's letter of May 31, 1955 to Mr. Pearson discussing various possibilities of civil proceedings by the Polish Government.

I understand that the main ground upon which the Polish Government has refused to commence proceedings is that it is incompatible with the dignity of a sovereign State to take proceedings in foreign courts to recover its property. There is, as you know, a long line of cases which indicate that successor Governments claiming to be entitled to property by right of succession to predecessor Governments, have in fact entered the courts of foreign States to establish their claim. In the following cases this was the course followed:

Hullet v. King of Spain, 6 E.R. 488 (1828) H.L.;
The King of the Two Sicilies v. Willcox, 61 E.R. 116 (1851);
U.S. Prioleau (1866) XIV L.T.R. (N.S.) 700;
U.S.A. v McRae (1869) VIII L.R. (E.Q.) 69;
Union of Soviet Socialist Republics v. Belaiew (1925-26) XLII Times Law Reports 21 (K.B.D.);
U.S.S.R. v. Onou (1924-5) 69 Sol. Jo. 676, Acton J.;
Haile Selassie v. Cable and Wireless Ltd. (1939) Ch. D. 182. In the United States, see *State of Yucatan v. Argumedo*, 157 N.Y.S. 219 (1915) Special Term, New York County;
Irish Free State v. Guarantee Safe Deposit Co. 222 N.Y.S. 182;
State of Russia v. Bankers' Trust Co. et al, 4 Fed. Supp. 417 (1933);
Republic of China v. American Express Co., 195 F. (2nd) 230;
Nizam of Hyderabad and State of Hyderabad v. Jung (1957) 2 W.L.R. 217.

The existence of such cases supports the view that in the absence of special factors a successor Government assumes the responsibility for reducing into possession those parts of its property in a foreign State, even where it is necessary for such Government to prove its title thereto in the courts of the foreign State.

With reference to the treasures in the Bank of Montreal, I understand that you are concerned about the question whether or not the Bank of Montreal could interplead in view of the fact that the claim would involve foreign State property. You might wish to refer to *Republic of China v. American Express Co.* 195F. (2nd) 230 (U.S. Court of Appeals (2nd Circuit)). I understand that you are also concerned about the question whether the Bank of Montreal might plead the Statute of Limitations against a claim by the Polish Government. So far as I am aware, the Bank has not indicated an intention of making such a plea and it is therefore unnecessary to give further consideration to the question at this time. In any event the facts may well be such as to permit the Polish Government to commence proceedings against other persons (such as Mr. Polkowski or Dr. Babinski) who may be legally in control of the treasures in the Bank of Montreal. Depending upon the relationship between such persons and the predecessor Polish Government in respect of the treasures, it might be possible to contend that either of these persons is a trustee of the property, and that accordingly the Statute of Limitations would not bar legal proceedings against such person.

In the case of treasures allegedly held in the Killaloe district civil proceedings could probably be taken against persons who may have custody or control over such portion of the treasures.

So far as the treasures in the Quebec Provincial Museum are concerned, I agree that Canada would appear to be internationally liable to Poland for any unjustifiable detention by the Government of Quebec. It is possible, however, that the Quebec Government might take the position that the treasures were merely stored on its property and that they were under the legal control of Dr. Babinski. I would direct your attention to the fact that my letter of April 27, 1949 suggested, on the information provided to this Department, that Dr. Babinski[128] would appear to be a proper person to be the defendant in any action taken by the present Polish Government to determine title and right to possession of the Quebec portion of the treasures. From the material provided to this Department it appears likely that Dr. Babinski should be regarded under Quebec jurisprudence as a trustee of the property and that the limitation period applicable would therefore be thirty years.

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[128] Note marginale :/Marginal note:
died July/57 [auteur inconnu/Author unknown]

The third major question noted above is whether Polkowski, one of the original depositors of part of the treasure in the Bank of Montreal, could be prosecuted under Section 282 of the Criminal Code of Canada for breach of trust. Although I do not have detailed information as to the obligations which Polkowski assumed when he took possession of this portion of the treasure, the information which has been provided to this Department from time to time does not suggest any ground upon which Polkowski might be brought within the provisions of this section.

With respect to the last question, I see no reason why Canada should be liable to Poland for the mere deterioration of any portion of the treasures unless such deterioration can be traced to failure of Canada to implement some obligation to Poland arising out of one of the factors discussed above.

It might be added that although the above comments have reviewed the domestic and international law factors as they appear to me, nevertheless, the judgment of international tribunals, like the judgments of domestic tribunals, may on occasion prove unpredictable.

Yours truly,

F.P. VARCOE

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580. DEA/837-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], May 6, 1957

POLISH TREASURES

Since your memorandum of March 7 to the Prime Minister (attached), we have heard from the local Manager of the Bank of Montreal that the Bank would be willing to release the two trunks of Treasures in their custody to whoever Mr. Polkowski and the executors of Dr. Zaleski agree jointly to designate. To this end the Bank would wish to be provided with an opinion by the Legal Adviser of this Department establishing that whoever signs on behalf of Dr. Zaleski's estate has sole authority to do so. The Power of Attorney executed by Dr. Zaleski in 1948 is (from the legal point of view) invalidated by his death, and it is for that reason we should now, I think, go back to Mr. Sieradzki, the Polish Chargé, and ask him whether he can provide the Department with the further documents we need in order to meet the Bank's legal requirements.

2. If you agree, we shall call in Mr. Sieradzki and ask him if he can provide us with documentation which will establish that the sole executors of Dr. Zaleski wish the Bank to release the trunks; we would not at this time raise with Mr. Sieradzki the question of to whom the trunks should be released — a point dealt with further in the last paragraph of this memorandum. In this way we shall be following up the letter† you sent to Mr. Sieradzki on April 25 telling him that discussions with the Bank had been reopened

and you hoped to be in touch with him shortly when certain legal questions had been clarified.

3. Assuming that the Poles will be willing and able to produce the legal documents which the Bank has asked for, our next question will be when and how to approach Mr. Polkowski. From our informal contacts with the Canadian Polish Congress through Group Captain Sznuk, I doubt whether there is as yet unanimous agreement among the Polish Canadians that the Treasures should somehow be returned to Poland. Much will depend on the results of Cardinal Wyszynski's current visit to Rome where a representative of the Polish emigrés will probably be speaking to him about the Treasures. Until we know better how the land lies I think we should postpone any approach to Mr. Polkowski for the next month in any case.

4. By asking Mr. Sieradzki for additional legal documents we can in the meantime keep the Polish Government satisfied that the Canadian Government is genuinely trying to make some progress on this question.

5. When we come to the point of approaching Mr. Polkowski, however, we will probably be faced with the most difficult and delicate problem of all, i.e. to whom to return the trunks in the Bank of Montreal. In our talks with Mr. Sieradzki up to now this question has never been raised. If Cardinal Wyszynski is prepared to see the Treasures returned to the Gomulka Government, there should be little difficulty on this point but we may find ourselves in the awkward position of acting as intermediary in negotiations between Mr. Polkowski and Mr. Sieradzki as to whether the trunks may instead be returned to the Church in Poland,[129] rather than the State. For the time being, however, I should think we might proceed in our talks with Mr. Sieradzki on the assumption that a formula will be found for returning the Bank Treasures to the Gomulka Government.[130]

J. L[ÉGER]

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581. DEA/837-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Italie

Secretary of State for External Affairs
to Ambassador in Italy

TELEGRAM S-222 Ottawa, May 9, 1957

SECRET. OPIMMEDIATE

VISIT OF CARDINAL WYSZYNSKI

Personal for the Ambassador. Cardinal Wyszynski's visit to Rome may provide an opportunity to determine the views of the Polish Catholic hierarchy on the Polish treasures in Canada and open the door to a possible solution of this problem. Would you therefore try in a discreet way to see the Cardinal.

2. Mr. Berlis will be able to give you more background information but you will recall that these treasures, almost all of which are Polish state property, were sent for safe-

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[129] Note marginale :/Marginal note:
There is scarcely any Church property — only 3 items in all P.C. D[obell]

[130] Note marginale :/Marginal note:
OK L.B. P[earson]

keeping to Canada in 1939 by the Polish Government. As a result of the post-war change of régime in Poland, the treasures have never been returned. The main part is at present stored in the Provincial Museum of Quebec, but two trunks are in a Bank in Ottawa. The government has always disassociated itself from any responsibility for this problem. Now, however, in view of the relatively favourably political trends in Poland, we should like to see this matter settled, if it can be done without involving the Canadian government too directly.

3. We have reason to believe that matters would be made much easier if the Polish hierarchy desired that the treasures should be returned now to Poland, in the new circumstances that prevail there. Please enquire from the Cardinal whether the hierarchy favour their return at this time, and if so, whether he intended to inform the Vatican of this view.

4. For your information, the Polish Canadian Congress is also attempting to have someone speak to the Cardinal about the treasures and present developments in Poland.

5. Please ensure that your informal meeting receives no publicity.

[L.B.] PEARSON

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582. DEA/837-40

Note de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from European Division
to Under-Secretary of State for External Affairs

SECRET [Ottawa], May 10, 1957

POLISH TREASURES

In accordance with the Minister's approval of our memorandum of May 6, Mr. Sieradzki, the Polish Chargé d'Affaires, came in this morning at my request and I explained to him the legal requirements of the Bank of Montreal regarding the documents to be provided by Dr. Zaleski's heirs or executors. Lest there be any misunderstanding due to language difficulties in this technical legal matter, I gave Mr. Sieradzki a plain piece of paper,† unsigned, explaining exactly what we wanted. Mr. Cadieux had previously approved the text, which is attached.

2. Sieradzki seemed somewhat surprised when I told him that from the legal point of view the power of attorney executed by Zaleski in Montreal had become invalid with Zaleski's death. I told him that the legal experts in Warsaw would probably not be surprised at this as the Polish legal system was I understood, like that of Quebec, based on the French civil law. Sieradzki then considered the Bank's requirements and thought, as we had expected, that the Polish authorities would be able to secure or provide the documentation requested. He assumed that the document should specify that the Bank of Montreal trunks should be released to the Polish Legation officials on behalf of Poland, and I did not dissent or comment on this.

3. As regards the next step, Sieradzki asked when we intended to approach Mr. Polkowski, and expressed some doubt whether "those behind" Polkowski (remnants of the Polish Government in exile in London) would wish him to sign the release. We replied that we had taken some indirect soundings and proposed to approach Polkowski directly when he has been able to clear up the position regarding Zaleski's legal heirs or representatives. Although we had no means of knowing what Polkowski's position would be, we

thought he might not be unreasonable. I added that the Bank would be only too glad to see the last of the Treasures for which it was responsible and was only seeking to protect itself legally against possible liability in the event that those signing for Zaleski were not entitled to do so.

4. At this point Sieradzki said, to our surprise, that the Polish Legation had for years been paying the deposit charges on the trunks in the Bank of Montreal, something like $48.00 annually. He also told me in answer to a question, that both Zaleski and Polkowski were employees of the museum in Warsaw from which the Treasures were removed.

5. I am informing our Legation in Warsaw of these developments.

A.J. P[ICK]

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583. DEA/837-40

L'ambassadeur en Italie
au secrétaire d'État aux Affaires extérieures

Ambassador in Italy
to Secretary of State for External Affairs

TELEGRAM 258 Rome, May 23, 1957

SECRET. PRIORITY.

VISIT OF CARDINAL WYSZYNSKI

Following for Minister. Cardinal very grateful for interesting suggestion but cannot give definite reply before consulting other Bishops in Poland.[131] Will inform in due course either through Vatican or our Mission Warsaw.

[PIERRE] DUPUY

8e PARTIE/PART 8

VENTES DE BLÉ À LA POLOGNE ET À D'AUTRES PAYS DU BLOC DE L'EST WHEAT SALES TO POLAND AND OTHER EAST BLOC COUNTRIES

584. PCO

Note du ministre du Commerce
pour le Cabinet

Memorandum from Minister of Trade and Commerce
to Cabinet

CABINET DOCUMENT NO. 14-56 [Ottawa], January 24, 1956

On January 23rd the Chargé d'Affaires and the Commercial Attaché of the Polish Legation conveyed to my Department a request for export credits guarantee covering the purchase of another 200,000 tons of wheat, plus a small quantity of barley, on the same terms as the guarantee authorized by Cabinet by P.C. 1955-1034 dated July 7, 1955 for

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[131] Note marginale :/Marginal note:
This implied that Dupuy saw the Cardinal — but he didn't. A.J. P[ick]

250,000 tons, namely 15 percent cash and 85 percent payable at the end of twelve months from date of shipment.

All of the 250,000 tons covered by the original guarantee have now been purchased but less than 100,000 tons have yet been shipped. Payments will fall due over the period September, 1956 to March, 1957. The outstanding liability of the Export Credits Insurance Corporation will be about $17 million. All the wheat purchased was grade No. 5. The Polish representatives indicated that the 200,000 tons now under negotiation will be of the same grade.

In addition to the wheat purchased under the export credits guarantee, Canadian exporters have made cash sales to Poland of 30,000 tons of wheat and three cargos of rye.

At the last session of the United Nations in New York, the Polish Vice-Minister of Foreign Affairs indicated to the Canadian Delegate, Mr. Martin, that Poland intended to buy substantial quantities of wheat from Canada from year to year. The Polish representatives confirmed this statement on January 23rd. In reply to a question they also affirmed Poland's intention to meet payments when they fall due and denied any intention of pleading inability to pay because of insufficient sales of Polish goods in Canada. Current surplus earnings in the United States would be available for this purpose.

Trade sources have informed the Department that Poland has already entered orders for 100,000 tons of No. 5 wheat, 90,000 tons from Eastern ports and 10,000 tons from the Pacific coast for delivery before the end of the current crop year, subject to authorization of the export credits guarantee. These conditional purchases tend to confirm the statement made by the Polish representatives that half of the 200,000 tons will be required during the current crop year and the remainder after the 1956 crop is harvested.

If at the time of the original request Poland had placed its requirements for current year at 350,000 tons rather than 250,000 tons, I would have been prepared to recommend acceptance on this basis. Even if the figure had been 450,000 tons covering a somewhat longer period, I should have thought that it deserved careful consideration particularly since Poland wished to purchase No. 5 wheat of which there were such large quantities. The request has, in fact, been made in two instalments and it is necessary to consider with respect to the second instalment, whether:

(a) It should be turned down;

(b) A counter offer should be made requiring a larger cash payment at time of shipment;

(c) The same terms should be accepted for a part of the requested amount, say 100,000 tons, to be shipped during the current crop year;

(d) It should be accepted in full.

The Canadian Wheat Board would welcome another substantial sale of No. 5 wheat for shipment during both the current and coming crop years. It cannot be assumed that the existing demand for this grade will continue indefinitely. On the other hand, the wheat trade is ordinarily carried on a cash basis and it is not desirable to encourage the practise of selling wheat on credit.

The probability is that, if we refuse the guarantee or stiffen the terms appreciably, Poland will obtain the wheat elsewhere — from Australia, for example, which is said to be offering 18 months' terms with quarterly repayments. Diversion of demand to other sources at this juncture would probably mean that Poland will not be a continuing market for Canadian wheat in the future.

On balance, therefore, I would be inclined to recommend acceptance of another 100,000 tons on the same terms, namely 15 percent cash, 85 percent at the end of 12 months, involving an additional credit risk of about $6.8 millions.[132] If, however, it is felt that some stiffening of the terms is considered desirable, I would be prepared to agree to a counter-proposal along these lines, although I believe we run the risk of losing a substantial and continuing market for Canadian wheat in Poland.

C.D. H[OWE]

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585. PCO

Note du ministre du Commerce pour le Cabinet

Memorandum from Minister of Trade and Commerce to Cabinet

CABINET DOCUMENT NO. 34-56 [Ottawa], February 21, 1956

REQUESTS BY CZECHOSLOVAKIA AND HUNGARY TO PURCHASE WHEAT ON CREDIT

Czechoslovakia

On February 21st, Mr. Maresj, the Czechoslovakian Assistant Deputy Minister of Foreign Trade, called on my department to express an interest in obtaining Export Credits guarantee covering the purchase of 100,000 to 300,000 tons of Canadian wheat for shipment to Czechoslovakia. Mr. Maresj said that the grades would be Nos. 2, 3 and 4 Manitoba Northern and that shipment would be required during the present crop-year. The terms suggested by the Czechoslovakian representative were 25% down with the remaining 75% within twelve months from the date of shipment. Mr. Maresj stated that this should not be considered as a single sale but rather as a real forerunner of continuing business. Mr. Maresj is awaiting the final instructions from his Government but, in the meantime, expressed the wish that his proposal be considered by the Canadian Government.

Hungary

On June 15th, 1955, I submitted a Memorandum to Cabinet outlining an offer by Poland to purchase grain on credit and also describing an indirect enquiry that had been received from Hungary.[133]

Cabinet agreed that I should inform the Polish Government that the Export Credits Insurance Corporation would be prepared to enter into a contract of insurance under Section 21 of the Export Credits Insurance Act with respect to the sale of a maximum of 250,000 tons of wheat on terms 15% cash at time of purchase, the balance of 85% payable twelve months from date of each shipment. At the same time Cabinet agreed that, if a firm request were received from the Hungarian Government, the same terms should be extended to that country up to a quantity of 200,000 tons of wheat.

Subsequently the Polish transaction was consummated but the Hungarian sale has been in abeyance.

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[132] Cette recommandation a été approuvée par le Cabinet le 25 janvier 1956.
This recommendation was approved by Cabinet on January 25, 1956.

[133] Voir volume 21, document 521./See Volume 21, Document 521.

Now, however, through the Canadian Embassy in Berne, Switzerland, an official request has been received from the Hungarian Government that "Canada give consideration to extending credit on terms not less favourable than those granted Poland for wheat in amount between 100,000 to 150,000 tons. Hungary wishes assurance that such eventual purchase will be included as part of such purchase commitments as Hungary may make should negotiations toward M.F.N. treatment successfully materialize".

In view of the apparently substantial market for grain in eastern Europe, I believe that Canada should continue to pursue sales possibilities in that area. I recommend:

(1) That the Export Credits Insurance Corporation should be authorized to extend insurance with respect to sales of wheat to Czechoslovakia up to a maximum quantity of 400,000 tons for shipment during the present crop-year. The terms would be 25% down and 75% within twelve months. Based on an insurance liability of 75% of the invoice value, and assuming No. 3 Northern to be the predominant grade, the liability of the Government would be around $19 million.

(2) That the Export Credits Insurance Corporation should be authorized to extend insurance with respect to sales of wheat to Hungary up to a maximum quantity of 150,000 tons for shipment during the present crop-year. The terms would be the same as granted to the Government of Poland. Based on an insurance liability of 85% of the invoice value, the liability of the Government could range between $9 million and $11 million, depending upon the grades purchased.[134]

C.D. HOWE

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586. DEA/11270-40

Le sous-ministre adjoint du Commerce
au commissaire en chef adjoint, Commission canadienne du blé

Associate Deputy Minister of Trade and Commerce
to Assistant Chief Commissioner, Canadian Wheat Board

[Ottawa], July 17, 1956

Dear Mr. McNamara:

The Minister has asked me to write you regarding the insurance of grain sales under the Export Credits Insurance Act during the coming crop year so that you may have some understanding of government policy before you begin your tour of Eastern Europe.

It is well understood in Ottawa that sales to Eastern Europe and to the U.S.S.R. account for a substantial portion of the increase in wheat sales during the present crop year. It is also well understood that a substantial drop in sales to these countries could not be readily replaced by sales elsewhere, having in mind particularly the mounting pressure of surplus disposal by the United States.

Sales to the U.S.S.R. are, of course, guaranteed for the next two years by the trade agreement with that country. Sales to Poland, Czechoslovakia and Hungary were insured under Section 21 of the Export Credits Insurance Act. Attached herewith is a statement of amounts† owing by these countries and by Jugoslavia under the contracts of insurance.

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[134] Ces deux recommandations ont été approuvées par le Cabinet le 23 février 1956.
These two recommendations were approved by Cabinet on February 23, 1956.

The Government would, of course, prefer to see these accounts paid off when they fall due and business avert to the cash basis traditional in the grain trade. There have been indications, however, that the countries of Eastern Europe to which we sold wheat this crop year will be in the market again next crop year but will wish to avoid laying out dollars to repay debts and to buy additional supplies of grain in one and the same crop year.

If availability of credit becomes the decisive factor in disposing of grain in Eastern Europe during next crop season, the Department of Trade and Commerce will be prepared to recommend to the Government that sales of grain again be insured under the Export Credits Insurance Act. Preliminary discussions at the official level have revealed, however, that the Department of Finance would strongly prefer some contraction in the amount owed by each of the countries concerned by the end of the next crop year and would strongly resist any increase in the amount outstanding at any time.

It will obviously be necessary in discussions with Poland, Czechoslovakia and Hungary to avoid making commitments that the Government might subsequently be unwilling to approve. For your guidance when talking about credit sales, I suggest the following principles.

1. The Canadian Government has gone a long way towards meeting the temporary difficulties of Eastern European countries in procuring grain. It has gone farther for these countries than for its regular customers. The Government is confident that payment will be made when due but it could be subject to very severe criticism in Parliament if it enlarged its financial commitments. This has nothing whatever to do with politics or ideologies. There would be similar criticism of over-extension of credit to any Government.

2. The Canadian Government would prefer to do business entirely on a cash basis. This is best for all concerned, including the buyers who can thus avoid insurance and credit charges.

3. If, however, credit will again be required for next crop year, the Canadian Government would be prepared to consider applications providing, however, that the amount outstanding at any time is not increased.

4. If grain is wanted on credit terms for shipment before the existing credits fall due, the Canadian Government would be prepared to consider extending coverage on the following basis:

(a) prepayment of an equivalent amount of an existing credit at time of shipment of the newly purchased grain.

(b) insurance of the new credit for a period of one year plus the period by which prepayment of the existing credit is brought forward.

For example, if shipment required for December 1956 and the earliest date of repayment of an existing credit of an equivalent amount is say May 1957, insurance coverage will be granted for a period extending to May 1958 if the existing credit falling due in May 1957 is repaid in December 1956.

Enclosed, also, is an exchange† between the Governments of Canada and Hungary regarding a trade agreement, a subject which may be raised when you are in Budapest.

The Minister has read and approves this letter. I hope you have an enjoyable and profitable trip. My best regards to Bill Brooking.

Yours faithfully,
M.W. SHARP

587. DEA/50355-40

Note du chef de la Direction Européenne
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, European Division,
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], October 4, 1956

VISIT OF MESSRS MCNAMARA & BROOKING, CANADIAN WHEAT BOARD, TO EASTERN EUROPEAN COUNTRIES, JULY 24-AUGUST 10, 1956

Mr. McNamara and Mr. Brooking visited Austria, Hungary, Czechoslovakia, Poland and the USSR this summer to investigate the possibilities for the sale of Canadian wheat to those countries. Their report† is attached. Mr. McNamara visited the Department on September 20 to discuss the trip. In this memorandum I shall summarize his remarks and the highlights of his report.

Wheat Trade

2. In Mr. McNamara's opinion, Poland offers the best possibilities for the sale of Canadian wheat over the next 4-5 years at least, provided suitable credit can be extended. Polish agriculture is in bad shape, this year's harvest will not be very good, the shortage of wheat as of other foodstuffs and consumer goods generally is severe, and the Russians, who have been shipping wheat to Poland for the last four or five years will ship none for this year at least. As a result, we may be able to sell as much as 400,000 tons per year on credit. The Poles have made enquiries about, and seem to think that they will be able to get, wheat from the U.S.A. after the elections, but Mr. McNamara does not know whether this is more than wishful thinking.

3. The Russians with whom Mr. McNamara spoke, who impressed him greatly with their business-like approach and their thorough knowledge of the grain trade, would not say definitely that Canada has a long-term wheat market in the USSR, except in so far as markets in the far eastern regions are likely to remain in view of Soviet internal transportation problems. Mr. McNamara thinks that it can at least be kept up beyond the three-year period of the trade agreement. No mention was made by the Russians of the establishment of an *Exportkhleb* office in Vancouver,[135] of increasing exports to Canada, or of foreign exchange difficulties in purchase of Canadian wheat. (Mr. McNamara learned, incidentally, that Mr. Lobatchov, the Commercial Counsellor at the Embassy here, was Vice-President of *Exportkhleb* before taking up his present position). The Russians will be net exporters of wheat this year, but say they are not re-exporting Canadian wheat. They keep their better grades, which approximate to our No. 3 Northern and export only lower grades. They watch world prices closely, particularly that of our No. 3 Northern, in establishing their own wheat prices for export and say that they have no interest in price-cutting competition.

4. The Hungarian interest in our wheat is probably short-term and the possible value is not great. The Hungarians are more interested in a trade agreement with Canada, in Mr. McNamara's view, than in the actual wheat purchases. They may ask permission to re-export our wheat. They expressed the hope of increasing sales to Canada to help pay for wheat purchases. We should hold out, in negotiations, for a minimum of 150,000 tons per

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[135] Voir/See Document 532.

year for the duration of the agreement, and at least for three years. The British Minister in Budapest, while he recognizes our wheat problem, does not think much of Canadian sales on credit as he feels that this merely helps bolster up the régime in Hungary and permits of political exports of low-grade wheat from Hungary. His attitude, however, must be seen in the light of the competition which British products are experiencing in under-developed countries from a number of competitors, of which the Soviet bloc may become another. The British Minister also feels quite strongly that the Canadian Government is not backing him strongly enough in his efforts to get children out of Hungary and re-united with their parents in Canada. He thinks some guarantees from the Hungarian Government on this score should be made a political condition of our entering into a trade agreement.

5. Conflicting opinions were expressed in Czechoslovakia about future purchases from Canada. One official thought they would this year take as much as last year, but another thought it would be considerably less, not more than 50,000 tons. If the quantity was small, they might not ask for credit. The Czechs made a particular point of the necessity of increasing their sales in Canada.

6. Mr. McNamara first saw in Hungary and later confirmed in the other countries he visited, that bug damage is developing in the wheat of all Eastern European countries. It is presenting a very serious problem as it affects seriously the quality of the wheat and renders it good for little but feed.

General Remarks

7. The impression Mr. McNamara gained from his admittedly fleeting visit was that general living conditions were worse in Poland than in any of the other countries he visited. He sensed a tension and uneasiness in Poland not evident elsewhere, arising partly out of discontent with inefficient running of the country and shortages of consumer goods, partly out of dislike of Russia. Although no particular resentment was expressed over the fact that Russia is supplying no wheat this year, he did not hear one good word spoken of the Russians, and some Poles are blaming the Russians for all their misfortunes. The attempts of Poland, and the other countries, to increase trade with the under-developed countries cannot be explained entirely on political grounds: it may well be closely related to the attempts to provide more consumer goods, especially foodstuffs.

8. Mr. McNamara found general conditions in Hungary better than in Poland, the people happier and more carefree, but feeling very isolated and longing for contact with the outside world. In all the satellites he visited, he had the impression of not too successful attempts being made to copy a foreign model, and of the imposition on the people of an alien system. In the Soviet Union, on the other hand, he found no obvious discontent or resentment of the system and indeed a people working efficiently under a system they accepted.

R.A.D. F[ORD]

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588. DEA/9533-40

Le sous-secrétaire d'État aux Affaires extérieures
au sous-ministre du Commerce

Under-Secretary of State for External Affairs
to Deputy Minister of Trade and Commerce

CONFIDENTIAL [Ottawa], October 25, 1956

Dear Mr. Bull,

I understand that the Canadian grain trade have been in touch with your Department and with the Polish authorities concerning the possibility of Canada meeting some of Poland's immediate grain requirements and that the question of export credits insurance covering wheat sales is one important consideration.

You will, of course, have to take into account when you consider the question of export credits insurance, the usual financial considerations such as the credit-worthiness of Poland, the amount of credit now outstanding to Poland and how close is the Export Credits Insurance Corporation to its statutory credit ceiling. In doing so, I hope that, bearing in mind the developments in Poland in the last few days, you will be as forthcoming as possible in considering the Polish request. The recent events have borne out our estimate that Poland offers the best prospects, of all the European satellites of the USSR, for asserting a degree of national independence. I would hope that if, because of the limitation on the amount of credit which the Corporation may have outstanding at any one time, a choice must be made between various Eastern European countries, the special position of Poland will be borne in mind. In particular, I would not want the present negotiations with Roumania to prejudice the chances of extending credit to Poland, since the latter country is not only likely to be a better customer of Canada, but has demonstrated in the last few days that it is more deserving of support politically than Roumania. Of course, it would be unwise to allow our insuring capacity to be exhausted, or pushed too close to the ceiling, in accommodating Eastern European customers, with the result that no room would be left to take care of the needs of really friendly countries for medium term assistance in financing purchases of commodities or industrial equipment from Canada.

It is a happy conjunction that Poland seems to be a good market for Canadian wheat at the moment and that there are also political reasons for giving the Poles what assistance we can. The one cautionary note that I would inject is that anything we are able to do to help the Poles should be done without undue fanfare. Any suggestion that the Western countries are trying to rush in to take advantage of Soviet-Polish differences may undermine the already dangerous road which the more nationally-minded Polish leaders are trying to take, and also stiffen the determination of the Soviet leaders not to let events in Poland go too far. We should be ready to offer help as it is requested, but should not foist assistance upon them.

If the Polish interest in purchasing more of our wheat is a genuine one — and I would certainly expect that it is — it might be wise to consider extending an invitation to the Poles to come to Canada to discuss the purchase. At that time, perhaps they could be the guests of the Canadian Wheat Board in Winnipeg for a few days, as was suggested a few weeks ago in discussions between the Departments of Trade and Commerce and External Affairs. Otherwise, I would hope that the Wheat Board could shortly extend an invitation to the Poles to send a delegation next year on the same terms as the invitation to the Czechs.

Yours sincerely,
JULES LÉGER

589. DEA/9533-40

Le sous-ministre adjoint du Commerce
au sous-secrétaire d'État aux Affaires extérieures

Associate Deputy Minister of Trade and Commerce
to Under-Secretary of State for External Affairs

Ottawa, November 19, 1956

Attention: Mr. A.E. Ritchie

Dear Mr. Ritchie:

I refer to the despatch from the Chargé d'Affaires, Poland, No. 686 dated October 30th, 1956,† entitled "Conversation with Mr. Dabrowski, Minister of Foreign Trade — Possibility of Purchase of Canadian Wheat." This Department appreciates the initiative taken by Mr. Brown in bringing to attention the Canadian interest in selling wheat to Poland. It is noted that the Minister of Foreign Trade did not expressly state a desire to obtain wheat on credit even though he was anxious to see the progressive development in commercial relations between our two countries.

Canadian Wheat Board officials based on their trip to Poland in August were quite optimistic that Poland would again desire substantial quantities of wheat from Canada this crop year provided credit facilities were made available. They were at that time given to understand that a grain purchasing mission was expected to come to Canada prior to the end of the year. Much has, however, transpired since then and this Department has had no subsequent information to suggest that Poland is considering an early approach to Canada.

You are aware of press reports that Russia has offered Poland substantial quantities of wheat (mentioned at one million tons) provided Poland will supply coal in exchange. The grain firm of Leval today gave to understand that Poland has concluded arrangements with Russia to obtain 1.4 million tons of wheat between now and July, 1957, but there has been no confirmation of this from other sources. Also press reports suggest that Russia is making available wheat to Hungary which suggests that Russia may be expected to meet urgent requirements of the Satellites. Although the United States appears to be on the verge of offering economic aid to Poland, action has at least temporarily been postponed.

Poland offers a long term market for wheat which Canada should make every effort to cultivate.

Attached is a copy of a letter† dated October 29th from the Canadian Wheat Board to Rollimpex, the Polish Foreign Trade Corporation, responsible for grain imports. This outlines the export availability position. You will note that although Manitoba Nos. 2, 3 and 4 are immediately available, No. 5 is not expected to be available in quantity until into the new year. There will in fact be large quantities of No. 5 and lower available at this later period as approximately one-third of this year's Prairie Provinces' wheat production of 516 million bushels is in this category, mainly No. 5. There is thus available to Poland practically any grade of wheat that might be desired.

Poland has regularly made payment on outstanding credit under the Export Credits guarantee for wheat. I understand from the company concerned, namely Northern Sales that the payment due November 19th, 1956 of $627,621.30 was paid in full last Friday, November 16th. Thus out of the original guarantee of $20,962,515, the amount remaining is $17,605,731.14 due dates as follows:

December 20, 1956	$ 837,217.02
January, 1957	4,262,185.06
February, 1957	861,336.29
March, 1957	1,480,502.33
April, 1957	4,064,252.52
May, 1957	4,330,638.69
June, 1957	1,769,599.23

Although there has been no official correspondence with Poland, Wheat Board officials gave the Polish Foreign Trade Corporation "Rollimpex" to understand that future credit guarantees could only be extended on a revolving fund basis subsequent to repayment of amounts outstanding under 1955-56 arrangements. Attached is a letter from myself under this subject to Mr. McNamara, Assistant Chief Commissioner of the Wheat Board, written prior to his visit to East European countries. It could conceivably be that Poland has refrained from making further approaches for credit as the amounts repaid on previous credits would on a revolving fund principle only allow the purchase of a relatively small amount of wheat.

I am sure it would be most helpful to have Mr. Brown pursue this matter with officials in the Polish Government to determine what basis might be found for supplying Poland with wheat during this crop year.

Yours faithfully,
M.W. SHARP

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590. PCO

Note du ministre du Commerce pour le Cabinet

Memorandum from Minister of Trade and Commerce to Cabinet

CABINET DOCUMENT NO. 226-56 [Ottawa], November 22, 1956

REQUEST BY ROUMANIA FOR CREDIT GUARANTEE ON WHEAT

1. Several weeks ago a representative of the Roumanian Government requested that the Export Credits Insurance Corporation undertake to insure wheat sales by Canadian exporters to Roumania up to a quantity of 300,000 tons during the present crop year. He was told at that time that, while the Canadian Government was not opposed in principle to the insurance of wheat sales to Roumania, it could not agree to insure an amount as large as 300,000 tons.

2. Within the last few days two other representatives of the Roumanian Government have arrived in Canada to continue the negotiations. In preparation, officials of the Department of External Affairs, Finance and Trade and Commerce met to discuss the advisability of extending insurance coverage to Roumania at the present time.

3. The Department of Finance drew attention to Roumanian Government bonds in the amount of $24 million held by the Canadian Government which fall due in 1968. This debt was contracted in 1922. Interest was paid up to the outbreak of World War II but nothing

has been paid since that date. Arrears of compound interest amount to about $23.1 million. It was agreed that when the Roumanian representatives pursued the enquiry about wheat on credit the existence of this governmental debt should be drawn to their attention and they should be told that the Canadian Government was most reluctant to insure wheat sales until there had been discussion of the Roumanian Government's intentions with respect to their existing debt to Canada.

4. The Department of External Affairs recommend that while there is political advantage to be gained through encouraging western trade with the satellites, as it reduces dependence upon Moscow, if a choice is to be made between satellites, those which show greatest possibilities for reduced dependence upon Moscow should be favoured. The Department of External Affairs considers that Roumania does not fall into this category, at least at the present time. There is no political objection to agreement on wheat sales to Roumania although some delay in completing or announcing any arrangement would seem desirable. The Department of External Affairs has expressed concern that the extension of credit to Roumania should not prejudice the chances of extending further credit facilities to Poland or other nations more desirable from a political viewpoint.

5. On November 19 the three Roumanians met with the Associate Deputy Minister of Trade and Commerce who informed them along the foregoing lines. The Roumanians replied that they had no authority to negotiate with respect to the existing governmental debt but would be prepared to transmit a message to their Government containing any proposals the Canadian Government might wish to make.

I RECOMMEND:

> That the Roumanian Government be informed that the Canadian Government is not prepared to insure wheat sales to Roumania until the Roumanian Government has indicated a willingness to negotiate a settlement of outstanding obligations to Canada.

No efforts have in fact been made to collect overdue interest on the existing Roumanian debt probably because no opportune occasion for commercial negotiations previously presented itself. In any event, it may be presumed that the Canadian Government had resigned itself to a considerable if not a complete loss. Therefore, it seems to me that a willingness on the part of Roumania to negotiate would justify consideration of the wheat credit on its own merits before an actual settlement of existing obligations is reached.

Prospects for sales of wheat behind the Iron Curtain are not promising this crop year except in Russia which is bound by agreement to buy not less than 400,000 tons (approximately 14.7 million bushels) during 1957. We face a possible reduction in sales to Poland, Czechoslovakia and Hungary of approximately 30 million bushels.

Under the circumstances, and provided that Roumania indicates its willingness to negotiate a settlement of outstanding obligations to Canada, I favour insuring wheat sales of 150,000 tons to Roumania, and request authority to proceed with negotiations on the understanding that approval of the insurance of wheat credits will be subject to further Cabinet consideration in the light of the political situation at that time.[136]

[C.D. HOWE]

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[136] Approuvé par le Cabinet le 22 novembre 1956. La Roumanie n'a pas donné suite à sa requête concernant l'achat de blé canadien avant février 1958.

Approved by Cabinet on November 22, 1956. Romania did not follow up on its interest in purchasing Canadian wheat until February 1958.

591. DEA/9533-40

Le chargé d'Affaires de la légation en Pologne
au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires, Legation in Poland,
to Secretary of State for External Affairs

DESPATCH NO. 836 Warsaw, December 18, 1956

CONFIDENTIAL

Reference: My despatch No. 791 of December 3, 1956.†

ECONOMIC AID TO POLAND; PROSPECTS OF SALE OF CANADIAN WHEAT

Your telegrams SS 301 of December 7† and EE 423 of December 12† were received together on the afternoon of December 14. I am sending a brief telegram† tomorrow. In the meantime, here is the latest information by today's bag.

2. On December 6 at the Finnish reception, I learned from Mr. Rapacki, the Foreign Minister, that Mr. Dabrowski, the Minister of Foreign Trade, had not gone to China as expected, but had been sick. He also told me that a conference was taking place in Warsaw between the Ministry and the heads of various enterprises supplying Polish goods to its export trade. He advised me not to call on Mr. Dabrowski until this conference was over. (I will report separately on the reorganization of the Ministry).

3. On December 8, it was announced that Mr. Dabrowski had retired because of ill health and would be replaced by Mr. Trampczynski. You will recall that he has recently been Vice-Minister of Finance, and President of the National Bank of Poland, and also that he was one of the experts who accompanied Gomulka and his party on their visit to Moscow. The decision to appoint an expert economist and financier to head the Department of Foreign Trade is no doubt an indication of the importance which the régime attaches to Polish foreign trade being molded according to the realities of Poland's difficult economic position.

4. This development prevented my following up again with Mr. Dabrowski as you suggested. However, I did not believe that any important disclosure of Poland's intentions in regard to the purchase of grain could be expected because of Mr. Dobrzanski's comment referred to in paragraph 14 of my despatch under reference. In the meantime, however, trade agreements have been announced with France, China and Finland, and over the past weekend with Australia. A United Kingdom trade delegation is now in Warsaw. The agreement with Australia sounded as if it might be important and I arranged to call today on Mr. Lewandowski, head of the North American desk at the Foreign Ministry, and Mr. Dobrzanski of the Ministry of Foreign Trade above mentioned. In the result, I was able to obtain a pretty accurate picture of the present Polish position in respect of Western economic assistance and the purchase of grain.

Economic Aid

5. The Polish Government maintained so far as it could its trade connections with the Western world during the period of the cold war. Its trade was restricted by the strategic controls. That Poland had a special interest in such trade was accepted by its other partners in the communist bloc. No impediments were placed at the Moscow conference in the way of Poland's efforts to expand her economic relationships with the West. Poland has need of economic assistance. It must obtain this from the West. It does not want this assistance in

the form of "aid". The elimination of all reference to "aid" is politically important to Poland. I deduced that this importance stems largely from the desire to prevent Poland's acceptance of economic assistance from the West giving fuel to the attacks of Stalinist elements in other countries of the bloc who are alarmed at the liberalization in Poland. Poland is interested particularly in long-term credits. It would prefer to tie these credits to specific trade agreements, but recognizes that the methods of trading in the West would normally call for financing by separate loans for such long periods. Five or six years is what the Poles have in mind. They wish to be realistic and wish also to conduct their trade on a businesslike basis. They appreciate that it may be more politically possible for the West to give Poland economic assistance on some collective basis such as through the World Bank than on the basis of initiative of individual states. They are currently exploring the possibility of a loan from the World Bank and also some arrangement with the United States Import-Export Bank. (The latter information was given me on what Lewandowski called an "off-the-record" basis. I assume that he knew I would pass the information on, but that he did not wish to be quoted). The credits under the recent French agreement are regarded as valuable assistance.

Purchase of Wheat

6. The supply of grain from the USSR is definite in quantity and its arrival assured. 1956 deliveries of grain to the State by Polish peasants are not completed and cannot be estimated. (My impression is that since the VIIIth Plenum in October, there has been a reaction throughout the countryside which resulted in the virtual defiance of the Government on compulsory deliveries, but that the situation is gradually getting better). It would not be until the end of January, therefore, according to Dobrzanski, that any decision will be made.

7. The Australian agreement was of a general nature. Dobrzanski said that no grain had yet been contracted for, but merely the possibility opened of its being contracted for. He says that in the recent past Australia gave more favourable terms than Canada. He said this was 18 months with no down payment. The new agreement has "opened the possibility" of a two-year credit term. Shipping charges are up, which has increased the cost of importing by water. However, Dobrzanski said this was a worldwide condition and he did not seem to think that the increase in freight rates would be a material factor in any decision to purchase grain from the West. He assured me they were quite interested in a Canadian purchase early in the New Year, provided that we could offer the best terms. These terms continued to be of vital importance. Poland could not be blamed, he said, if it tried to buy the identical product on the best terms possible.

8. I mentioned the possibility of our extending payment for a period equivalent to one year plus a number of months equal to the period of pre-payment of a corresponding amount of old debt discharged, as outlined in Mr. Sharp's letter to Mr. McNamara of July 17. Copy of this letter was attached to Mr. Sharp's letter of November 19.† I was somewhat taken aback when Mr. Dobrzanski told me that they had made all payments to Canada except a balance of 27 million roubles, which he said would be paid in full by the end of March. This does not tally with the figures set forth in the letter above mentioned. I asked Dobrzanski whether there had been a supplementary agreement which might have prolonged the payments. He said they had bought Canadian grain through France and that "Dreyfuss had arranged it" and that they had thereby avoided the 10% down payment. I am rather puzzled by this and I am wondering whether the Poles have been carrying a transaction on their books relating to France which you have regarded as being a direct obligation

of Poland to Canada. In the time available before our bag closes tonight, I cannot unravel this mystery.

9. Mr. Dobrzanski told me they are thinking of sending trade experts to Canada early in the New Year and he hinted that he might go himself. I gathered that they did not tie this necessarily to the purchase of wheat, but rather to the improvement of their own channels for selling Polish products in Canada. He mentioned their dissatisfaction at the refusal of the Canadian Government to permit the opening of a consulate in Montreal.

10. Speaking generally of Canadian-Polish trade, Mr. Dobrzanski emphasized that their most careful calculations of the Polish position had convinced them that Poland would have to import grain for at least four or five years, and he suggested that Canada should not regard Poland as a temporary outlet, but rather as a prospective permanent customer. On the whole, I would say that there was a maximum of good will toward Canada shown on the part of both men.

J.P. ERICHSEN-BROWN

P.S. Copy of this despatch is being forwarded to Mr. J.B. Lawrie, European Manager of the Canadian Wheat Board.

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592. DEA/9533-40

Le chargé d'Affaires de la légation en Pologne
au secrétaire d'État aux Affaires extérieures

Chargé d'Affaires, Legation in Poland,
to Secretary of State for External Affairs

TELEGRAM 425 Warsaw, December 31, 1956

CONFIDENTIAL

Reference: My despatch 836 December 18.

ECONOMIC AID TO POLAND AND SALE OF CANADIAN WHEAT

1. At his request I called on Dobrzanski who asked me to sound you out on possibility of your deferring for one year the payment due in five months February to June inclusive on existing purchase agreement. He apologized for inaccurate statement mentioned in my paragraph 8 which he ascribed to bad briefing and produced a set of figures given him by Polish National Bank which tally generally with Mr. Sharp's. He said January payment would be made on schedule and also that if your reply was negative all other payments would also be made on schedule.

2. Reasons for request are as follows: Poland must have Western economic assistance to tide it over period of one year now seen as emergency period of readjustment on switch away from heavy industry to consumer goods; economic assistance requires time to arrange; postponement of Canadian dollar payment would be form of temporary assistance (group corrupt) to Poland in period of great pressure on available exchange resources; Canada is believed to be alive to long term interest in Poland and also fostering future of Polish Canadian trade; postponement is envisaged as highly desirable rather than absolute necessity.

3. Dobrzanski said they would like to establish two year credit (balance?) and if this were done they would give Canada preference over other suppliers on future wheat purchases. They expect to know within a few weeks how much grain they will have to buy for deliv-

ery "after June". The unknown quantity continues to be compulsory delivery which government dare not collect from 90 percent of farms privately owned and which peasants rely on currently hoarding in their cellars and refusing to sell for zlotys.

4. If our willingness to discuss revision and arrangements were confirmed Dobrzanski would go to Ottawa late January accompanied by financial expert to arrange details. Such a visit would be immediately known in both countries and Polish government would like to avoid possibility of adverse Polish reaction to an unsuccessful visit. I believe any agreement with Canada at this juncture which was of financial benefit to Poland would support present Polish leaders against reactionary Stalinist elements, and probably also strengthen government's hand in dealing with peasants whose present attitude has some of the elements of a hold-up.

5. I told Dobrzanski that I believed Canadian government's hands were tied by prior legislation but that I would report his request in spirit in which it had been made. If some encouragement were given and Dobrzanski headed a delegation to Ottawa they would discuss at the same time additional grain purchases founded on new credit principle which they would have hoped to have established in the course of the discussions. He would also attend to sundry problems relating to promoting sale of Polish products in Canada.

6. There are strong political reasons for assisting Poland at this time. If government were unwilling to recommend a long term loan to Poland credit sale of wheat might be a useful expedient. I think it would be a mistake to dismiss this approach out of hand on basis of past wheat sales policy. If proposal is unacceptable I urge you strongly to find some alternative to induce the Poles to go to Ottawa.

7. Dobrzanski has offered to arrange for me to pay a formal call on his new Minister. A date around January 10 was suggested but is subject to confirmation and I can avoid or postpone visit if you prefer. In the meantime I would like to convey your reply orally to Dobrzanski as soon as instructed by you.

8. Your telegram EE-494.† paragraph 7. My letter is more accurate than my telegram. Dobrzanski in last talk stopped short of any positive assertion that credit had been promised by Australia. At same time he clearly wished to leave impression with me that Australian credit was possibility. Is it possible Australians have been stringing the Poles along?

[J.P.] ERICHSEN-BROWN

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593. DEA/9533-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 10, 1957

You will have seen telegram 425 of December 31 from Warsaw concerning economic aid to Poland and the sale of Canadian wheat. It reported that the Poles say they must have Western economic assistance to tide them over a period of one year while they readjust from the present emphasis on heavy industry to the production of consumer goods; and that the postponement for one year of the payments for Canadian wheat (due between February and June inclusive) would be a useful form of temporary assistance to Poland. They propose that if they could establish a two year credit basis for wheat purchases they would give Canada a preference over other suppliers. If we are willing to discuss the revision of our arrangements with Poland, they would like to send officials to Ottawa to arrange details.

2. This question was discussed this morning by officials from External Affairs, Trade & Commerce and Finance. We indicated that we would be inclined to favour the negotiation of more favourable treatment for the Poles in view of the political reasons for assisting Poland at this time. The Department of Trade & Commerce was anxious to accept the Polish suggestions on condition that the Poles agreed at this time to significant new purchases of wheat. If, however, Poland would not undertake to buy more wheat or if the Canadian Government was unwilling to grant fresh credit to Poland, Trade & Commerce would not see any advantage in merely agreeing to defer for one year repayment of the present Polish debt. The Dept. of Finance on the other hand was inclined to favour a deferment for one year of these Polish obligations, for international political reasons, but was very doubtful about the wisdom of extending fresh credit for further wheat purchases. Mr. Harris, however, had not yet been consulted on this question.

3. There are several reasons why it may not be found easy to agree to the full Polish request. The first is that a very substantial proportion of the $100,000,000 which can be guaranteed under Section 21 of the Export Credits Insurance Act is already committed or partially committed in respect of wheat. There are, at the same time, a number of other large contingent commitments for other items — for example jet aircraft for Germany, farm equipment for Brazil, railway equipment for Argentina and Mexico. Some of these sales are quite doubtful, but if several of them went forward the limit of the authority under Section 21 might be reached. If, therefore, the Cabinet should decide to increase the amount of credit outstanding to Poland by say $10,000,000, they might have to have in mind the possibility that at some future date Parliament might have to be asked to increase the existing authority under Section 21.

4. The other difficulty is the very tight monetary position in Canada at the moment. In order to sell grain under a Section 21 guarantee the grain exporters have to get credit from their banks. It is this credit which is guaranteed by the Export Credits Insurance Corporation. Even though no risk is involved the grain exporters may find it difficult to get their banks to extend credit on this scale during the present state of monetary stringency, and any encouragement from the Government for the banks to do so might seem inconsistent with the Government's general monetary policy.

5. Another aspect of the problem which needs to be borne in mind is that once we have given two year credit to the Poles it may become very difficult to give less favourable terms to any other Eastern European country in the future.

6. I do not think these difficulties need necessarily be insuperable. A few months ago the Government was willing to commit itself to the possible guaranteeing of $11,000,000 worth of wheat for Hungary and a lesser amount for Roumania. It does not appear likely that either of these transactions will take place in the near future and it would seem sensible to put the needs of Poland ahead of those of other Eastern European governments.

7. The Department of Finance has undertaken to consult Mr. Harris as soon as possible. In the meantime I should be glad to have your comments in order that we may start to prepare recommendations for next week's Cabinet meeting.

J. L[ÉGER]

594. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], January 17, 1957

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare and Acting Secretary of State for External Affairs (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald) (for morning meeting only)
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Registrar of the Cabinet (Mr. Halliday),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

WHEAT; SALES TO POLAND; EXPORT CREDIT GUARANTEES (PREVIOUS REFERENCE JAN. 25, 1956)

18. *The Minister of Trade and Commerce* said sales of wheat to Poland had been guaranteed, under the Export Credits Insurance Act, to a total of approximately $22 million. Payments had been made on the dates due and if a further payment due within the next few days was made, as expected, this total liability would be reduced to about $12.5 million, payment of which was due in several instalments terminating in June of this year.

The Polish government had now proposed that payment of this balance be deferred for one year. A similar arrangement for a year's deferment had been granted Jugoslavia. The Polish government would have to approach the companies which had arranged the sales of wheat to see if they would extend credit for a further year. The companies in turn would have to make arrangements with their bankers. Extension might be difficult to obtain in view of the present credit position.

The Minister recommended that agreement be given in principle to a deferment to Poland of up to one year on existing credits.

(Minister's memorandum, Jan. 17, 1957 — Cab. Doc. 11-57†)

19. *During the discussion* the following points emerged:

(a) The Gomulko government was in difficulties. It was trying to maintain some degree of independence from the U.S.S.R. and anything that Canada could do to help would be useful.

(b) The government's part in the picture was to provide insurance. Recommendations for changes should properly come from the companies concerned. If they were willing to extend the payment time, the government would have no objection. There had been some talk of an exchange by Poland, of wheat for Egyptian cotton, which arrangement would be difficult to justify.

(c) The proposal really meant that part of the payment would be postponed for six months and the remainder for one year. Would it not be easier for the Poles to find the money if the total were spread out in the form of monthly payments. Against this it was indicated that the trade arrangements had been for payment twelve months from the date of individual shipments so that they were already spread over a number of months.

20. *The Cabinet* noted the report of the Minister of Trade and Commerce on a request from the Polish government for deferring the balance of payments on imports of Canadian wheat, and agreed in principle to a deferment of up to one year of repayment of existing guaranteed credits; details of the arrangement to be worked out between the Departments of Trade and Commerce and Finance.

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595. PCO

Note du ministre du Commerce
pour le Cabinet

Memorandum from Minister of Trade and Commerce
to Cabinet

CABINET DOCUMENT NO. 59-57 [Ottawa], March 14, 1957

SALES OF WHEAT TO POLAND UNDER EXPORT CREDITS GUARANTEES

A delegation from the Government of Poland has been in Ottawa for the last month discussing with Canadian officials arrangement of an extension for payment of amounts still owing on last year's wheat purchases as well as a credit basis for purchases during the current and following crop year.

During the 1955-56 crop year, Poland purchased about 340,000 tons of wheat from Canada on terms of 15% cash and 85% in one year. The Export Credits Insurance Corporation insured the exporters (under Section 21 of the Act) for 85 per cent of the value of each shipment. Poland has honoured all payments at due date, the present position being as follows:

Total Amount Insured	$20,962,514
Due and Paid	9,762,725
Due March 14th to June 30th, 1957	$11,199,789

During the negotiations I insisted that no extension of insurance of existing credits could be granted unless Poland agreed to purchase substantial quantities of wheat during the present crop year. I now recommend acceptance of the following proposal which has been agreed to by the Polish Delegation:

(1) The Polish Government be granted an extension on outstanding credits as follows:

25% paid on present scheduled due date
25% 6 months from present scheduled due date
25% 12 months from present scheduled due date

25% 18 months from present scheduled due date.

(2) The credit extension be made subject to agreement by the Polish Government to purchase wheat on the following basis:

Quantity:
  150,000 tons of wheat 1956-57 crop year
  150,000 tons of wheat 1957-58 crop year
Terms:
  10% cash
  90% credit on invoice value of each cargo shipped, the total insurance coverage not to exceed $12.5 million with respect to each crop year, the aggregate not to exceed $25 million.
  Insurance premium at the rate of 1% per annum.
Repayment:
  1/3 payable 2 years from date of shipment
  1/3 payable 2 1/2 years from date of shipment
  1/3 payable 3 years from date of shipment.

(3) The Polish Government be permitted to resell any wheat purchased under these arrangements to countries other than those of Western Europe (including West Germany and Finland).[137]

This may set a new pattern for future sales of grain under export credit insurance provided by the Canadian Government. The essential difference from previous arrangements is the commitment by the recipient countries to guarantee purchases not only for the immediate crop year but for a year ahead.

In most agreements the insurable amount has been limited to 85% rather than the 90% I recommend in this instance. The difference is not a significant factor in risk calculation. The Poles regard the 90% credit as important and in view of their readiness to conclude an agreement, I favour granting this concession.

During the 1955-56 crop, export credit arrangements were extended to the following countries:

	Tons	Insured Value
Poland	342,520	$20,962,514
Czechoslovakia	326,938	$17,719,452
Hungary	30,262	$ 2,222,445
Total	700,720	$40,904,411

During the 1956-57 crop year, apart from Poland, the only countries which have expressed an interest in negotiating the purchase of wheat on credit are Hungary, Roumania and Ireland. No agreement is likely to result from any of these negotiations.

[C.D. HOWE]

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[137] Cette recommandation a été approuvée par le Cabinet le 14 mars 1957.
This recommendation was approved by Cabinet on March 14, 1957.

596. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], April 4, 1957

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald)
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).

The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

SALE OF WHEAT TO POLAND ON CREDIT; INCREASE IN AMOUNT
(PREVIOUS REFERENCE MARCH 14)

39. *The Minister of Trade and Commerce* said that the Polish government wished to increase its purchases of wheat during the current crop year to 300,000 tons instead of the original amount of 150,000 tons. This revision of the agreement seemed to be desirable.

40. *The Cabinet*, on the recommendation of the Minister of Trade and Commerce, agreed that 300,000 tons of wheat instead of 150,000 tons be sold to Poland during the current crop year on the same credit terms as those already approved.

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9ᵉ PARTIE/PART 9

HONGRIE : ACCORD SUR LE COMMERCE
HUNGARY: TRADE AGREEMENT

597. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], October 3, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare (Mr. Martin),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Public Works (Mr. Winters),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Minister of Citizenship and Immigration and Acting Postmaster General (Mr. Pickersgill),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

TRADE NEGOTIATIONS WITH HUNGARY

10. *The Secretary of State for External Affairs* reported that Hungary wished to enter into a most-favoured-nation trade agreement along the lines of the agreement of last February between Canada and Russia.[138] It had been agreed that Hungary could send a delegation here to negotiate an agreement on the understanding that she would buy approximately 150,000 tons of wheat each year during the life of the agreement. Should an agreement be negotiated, substantial sales of other Canadian products could not be expected and it was unlikely that Hungary would succeed in selling in volume in Canada. However, Hungary would probably wish to open a trade office in this country which would add to the difficulties of Canadian security authorities. The Hungarians would also likely press for credit on which to buy wheat but it had already been made clear that this could not be discussed within the context of the proposed negotiations. If they wanted export credit insurance on shipments in excess of the contractual amount, their application could be considered on its merits.

There was not much value in an agreement of this nature but an assured market of 150,000 tons of wheat a year for three years would be desirable.

The Minister recommended, with the concurrence of the Ministers of Trade and Commerce and of Finance, that officials of the departments concerned be authorized to negotiate with a view to concluding an agreement along the lines of the Russian arrangement made earlier in the year, and that the quantity of wheat to be purchased each year should be 150,000 tons if possible, but not less than 100,000 tons, and be sold for cash.

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[138] Voir volume 21, document 544./See Volume 21, Document 544.

An explanatory memorandum was circulated

(Minister's memorandum, Oct. 2, 1956 — Cab. Doc. 187-56†)

11. *During the discussion* the following points emerged:

(a) While wheat sales were of course desirable, it was surprising that they should be made to communist countries when Egypt was able to buy wheat from Russia at below world prices. However, Russia had always sold wheat grown in the southwest part of the country to markets in Europe and the Middle East, while importing substantial quantities for eastern Siberia.

(b) These negotiations were, in the Hungarian view, preliminary to the establishment of diplomatic relations. If this happened, the Canadian mission in Czechoslovakia would be asked to look after our interests in Hungary. It would be hard to refuse a Hungarian request to establish a trade office in Canada but this should be in Ottawa to minimize security problems.

12. *The Cabinet* approved the recommendation of the Secretary of State for External Affairs regarding trade negotiations with Hungary and agreed,

(a) that officials of the interested departments, headed by Mr. Mitchell Sharp, Associate Deputy Minister of Trade and Commerce, be authorized to negotiate with the Hungarian delegation;

(b) that the delegation should aim at the conclusion of an agreement along the general lines of the agreement of February 29th, 1956, between Canada and the U.S.S.R., and that in particular they should insist upon similar escape clauses as well as upon an Hungarian undertaking to purchase an appropriate quantity of wheat each year during the life of the agreement; and,

(c) that the quantity of wheat to be purchased annually should be 150,000 tons if possible, but in any event not less than 100,000 tons, and should be for cash.

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598. DEA/9965-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], October 11, 1956

CONVERSATION WITH MR. TIBOR BARABAS, HEAD OF THE HUNGARIAN TRADE DELEGATION

Mr. Barabas called on Mr. Watkins this morning to discuss the question of exchange of diplomatic representation with Hungary.

2. Mr. Watkins opened by referring to our shortage of personnel and our present commitments for extension of our diplomatic service as reasons which have kept us from exchanging missions with Hungary. He said that our first commitment in Eastern Europe would be to provide Ministers for our posts in Prague and Warsaw, and that after these commitments had been met we might be able to consider double accreditation from Prague, Warsaw or Vienna. Mr. Barabas said that, in the absence of full diplomatic representation, this would be satisfactory to the Hungarians. He said that they had no preference as to which of these

three heads of missions might be accredited, though some countries, such as India, had found the Vienna-Budapest combination not unsatisfactory.

3. Mr. Barabas then went on to say that, even though diplomatic representation might not be possible at the present time, the Hungarians would be very happy to be allowed to open a Consulate-General in Toronto "in which area the majority of the Hungarian population of Canada is located". Almost as an afterthought to the consular aspect, he said that, if a trade agreement were concluded, Toronto would be a good centre from which to promote sales.

4. Mr. Watkins then went on to raise other questions of relevance to Canadian-Hungarian relations. He referred to the people in Hungary who would like to join their relatives in Canada but who, despite representations made by the Canadian Red Cross and by the British Minister in Hungary, had not yet managed to obtain exit permits. Mr. Barabas was very interested in this, intimating that he might be able to use his good offices to obtain some satisfaction for us. He said that, if we would supply him with details, he would wire Budapest about it immediately. (I am having this looked into right away to see what information we can pass to Mr. Barabas.) It was suggested that, if Mr. Barabas were in Toronto, he might discuss this with Dr. Stanbury of the Canadian Red Cross, whose name he knew.

5. Mr. Watkins also raised the matter of the Canadian passports which have been taken by the Hungarian authorities from Canadians who have returned to Hungary since the war, and said that the Canadian Government, as owners of the passports, would like to get them back. (We have raised this matter recently with the Polish Legation, which acts for Hungary in this country, and with the Hungarians through the British Minister in Budapest). Mr. Barabas was less forthcoming here than on the matter of relatives but promised to look into it.

6. Finally, Mr. Watkins mentioned the position of the church in Hungary, and Cardinal Mindszenty, explaining that this was bound to be raised publicly and in the House if there were any question of closer relations with Hungary. Mr. Barabas was strong in insisting that there was complete freedom of worship in Hungary, that the churches were filled, and that the hierarchy, with the exception of the Cardinal, were operating freely. He was, however, a bit evasive on the Cardinal's whereabouts and function.

7. I would think, from this conversation, that the main concern of the Hungarians is to obtain permission to open a consular office here, rather than the full exchange of diplomatic missions. Mr. Watkins told him he could venture no predictions as to our decision, but that we would discuss this request with you. Mr. Barabas would like to have an answer before his departure from Canada in about a fortnight, but he was told this might not be possible.

8. If a trade agreement is concluded, it will be rather difficult to resist a request to open a Hungarian office of some sort for trade promotion. Rather than a Consulate-General, which would clearly be interested primarily in the Hungarian population in Canada, I think it would be preferable to have a straight trade office,[139] perhaps a branch office of a Hungarian import-export agency, on the same terms we offered the Russians (no privileges or immunities; limitation of size; to exist for the duration of the trade agreement only; and with the right for us to open a comparable office in Hungary) — if the Hungarians request it. This would be easier to control, on security grounds, than a Consulate-General in Toronto, and presumably less objectionable to the Hungarian population in Canada.[140] A small diplomatic mission in Ottawa would also be easier to control than a Consulate-

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[139] Note marginale :/Marginal note:
Yes [L.B. Pearson]

[140] Note marginale :/Marginal note:
We spoke of this this morning [L.B. Pearson]

General in Toronto, but presumably you would not want to permit the opening of a Hungarian diplomatic mission until we were closer to opening in Budapest than we are now. If a trade agreement is not concluded, I think we might say that we are not able to consider the establishment of any sort of Hungarian office in Canada at least until after the elections. Do you agree?[141]

9. I do not know whether Mr. Barabas will be able to do anything about exit permits for close relatives, but if he does, this might make a trade agreement, even on terms less favourable than we originally hoped for vis-à-vis wheat sales, more defensible than it otherwise would be. We recently heard from our Ambassador in Washington, who arranged a meeting between a Canadian of Hungarian origin and the Hungarian Minister in Washington, that, according to his Canadian informant, some 30 Hungarian exit permits are being issued for prospective immigrants to Canada "in order to create a good impression in Canada so that the opening of a Hungarian Legation in Ottawa should be welcomed." It is welcome news that the Hungarians seem to be taking positive steps to remove one of the difficulties which stand in the way of better Hungarian-Canadian relations.

J. L[ÉGER]

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599. DEA/9376-A-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], October 17, 1956

HUNGARIAN-CANADIAN TRADE NEGOTIATIONS

You will recall that it was agreed by Cabinet, prior to the arrival of the Hungarian trade delegation, that the Canadian Government would be willing to extend MFN treatment to Hungarian goods on condition that Hungary agreed to purchase for cash a fixed quantity of wheat over a three-year period. Our starting figure was to be 150,000 tons per year, but the Canadian team was authorized to go down as low as 100,000 tons per year if necessary. The figure of 150,000 tons per year, for cash, was communicated to the Hungarians prior to the arrival of their trade team as the basis for discussion.

2. It is not necessary here, I think, to go into the details of the discussions which have been taking place over the last ten days. The Hungarian position may be summarized as follows:

(a) Though they started with a figure of 50,000 tons per year, they now speak of a figure of at least 300,000 tons over a three-year period, possibly a mixture of wheat and barley, and possibly with a purchase of flour this year. They might be willing to take more than one-third of the total this year.

(b) They want, because of a shortage of cash reserves to have credit facilities. Further, the export credit guarantee would give them a very favourable interest rate compared with what they would have to pay in Europe. They cannot commit themselves to a cash purchase of a fixed amount over three years when other sellers may well be willing to offer credit terms. At minimum, they want to purchase this year's portion with credit facilities, and to be considered for credit facilities if Canada is granting any credit at all on wheat sales in subsequent years.

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[141] Note marginale :/Marginal note:
Yes L.B. P[earson]

(c) Even if their goods are granted MFN treatment, they have no hope of earning, from their sales in Canada, more than a very small fraction of the hard currency needed to pay for the wheat they would buy from us.

3. The case they made was a good one, and one logical conclusion might have been that, if Canada insisted that MFN had its cash price, there was no basis for concluding a trade agreement. The discussions might therefore have been narrowed to a straight purchase of wheat with export credit insurance facilities, as the Hungarians had done earlier this year. We are currently discussing a possible sale with the Rumanians on this basis.

4. At the discussions yesterday, however, after consultations with Mr. Howe and Mr. Harris, the Canadian team accepted in principle the Hungarian proposals and agreed to discuss the details. It is assumed that the trade agreement proper would refer only to the exchange of MFN treatment. They have been given a draft agreement, modelled on the agreement with the USSR, but with the shipping and legal clauses deleted. Attached to the draft is a proposed exchange of letters setting out what is, in effect, an escape clause for Canada, allowing us to fix values for duty purposes in the event of imports damaging Canadian industry. The draft letters are modelled on similar letters attached to the Japanese and USSR agreements.[142]

5. A separate exchange of letters would set forth the Hungarian obligation to purchase a set amount of wheat and/or barley and/or flour over a three-year period, the total amount to be at least 300,000 tons. It is proposed that another note would set forth the understanding about extending credit facilities — assured for this year, and for consideration in subsequent years. The Hungarians have also suggested that we discuss a formula for setting fair market values of their goods for customs purposes, along the lines of the understanding with Czechoslovakia.

6. As I intimated in my memorandum of October 11 might be the case, the Hungarians have now said that, if there is to be any substantial delay in exchanging diplomatic representatives or in establishing a Consulate-General in Toronto, they would like permission to open a one- or two-man trade promotion office, probably in Montreal. I shall be sending you shortly a separate memorandum on this subject.

7. It is on this basis that the negotiations will be resumed on Thursday of this week.

J. L[ÉGER]

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600. DEA/9376-A-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], October 18, 1956

HUNGARIAN REQUEST TO OPEN A TRADE PROMOTION OFFICE IN MONTREAL

In my memorandum of October 11, I intimated that, in the absence of Hungarian diplomatic or consular representation in Canada, the Hungarian trade delegation might request permission to establish a trade promotion office in the event a trade agreement was concluded. The Hungarians have now made the request definite and have asked for a one- or two-man office, probably in Montreal.

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[142] Voir/See Document 531.

2. From the trade viewpoint, the request is a reasonable one. If the Hungarians are to make any sales in Canada in order to earn even a small fraction of the hard currency needed to pay for wheat purchases, they probably need a small office to explore the Canadian market and to make and maintain contact with Canadian buyers of their products, as well as to make arrangements for purchasing and shipping wheat. It would also seem to follow that, if we grant MFN treatment, we extend not only the lower MFN tariff rates but the opportunity to take advantage of the lower tariffs as well.

3. The objections which arise are on political and security grounds. The Hungarian population in Canada cannot be expected to look with great favour on the establishment of any sort of Hungarian office here, particularly as we may take it for granted that any such office will devote at least part of its time to propaganda activities to making contact with Hungarians in Canada and probably trying to persuade them to return to the homeland. The security objection is that any Hungarian office can be expected to engage in espionage and subversive activities. At the moment, they must send their representatives in Washington to make contacts in Canada, and it would certainly be easier for them if they had a permanent office in this country.

4. If and when we grant permission for the opening of a trade office, I think we should set the following conditions, similar to those we set for the opening of a Soviet office in Vancouver:

(a) it should be entitled to no diplomatic or consular privileges or immunities;

(b) it should remain in existence no longer than the duration of a trade agreement;

(c) it should be limited to a fixed and small number of Hungarian nationals (the Russians have permission for three and we are about to grant the Czechs permission for six);

(d) it should be a branch office of, say, a Hungarian import-export agency or agencies rather than an office of the Hungarian Government proper.

(e) We should have the right to open a similar office in Hungary if we so desired, and if the Canadian staff of such an office would be subject to travel restrictions of any kind within Hungary, then the Hungarian staff of the trade office in Canada would be subject to comparable restrictions.[143]

These conditions would not interfere with legitimate trade promotion, would be consistent with the treatment we are according other Iron Curtain countries, would make security control easier, and would be more easily defensible publicly.

5. A situation I should not welcome could arise if we gave permission forthwith for the Hungarians to open a trade office. If, a year or so from now, we were to grant the Hungarians permission to open a diplomatic mission in Ottawa, (they are pressing for an exchange of diplomatic representatives), we should then find ourselves with two Hungarian offices on our hands. We might, therefore, set an additional condition that a trade office be set up *ad interim*, but that if at a later date arrangements were to be made for the Hungarians to establish a diplomatic mission in Ottawa we would expect them to integrate the trade office and the diplomatic mission.

6. I have already suggested, in my memorandum of October 11, that we tell the head of the Hungarian trade delegation that we cannot consider an exchange of diplomatic repre-

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[143] Vois aussi document 534.
See also Document 534.

sentatives or a Hungarian Consulate-General in Toronto at least until after the elections. I had first thought of deferring the opening of a trade office for the same period, but I now think that this might be unduly restrictive and suggest that we were not offering MFN treatment in good faith. The Department of Trade and Commerce feel strongly that, if an agreement is concluded, no unreasonable impediments should be put in the way of expanding Hungarian exports to Canada, and that the request to open a trade office is a perfectly reasonable one from the trade point of view. The trade motives take priority in this, though the rapid changes in the political situation in Hungary also argue in favour of a more forthcoming attitude towards the Hungarians than would have been possible a few months back. May I, therefore, have your permission to tell the Hungarians that they may open a trade office, once a trade agreement is concluded and ratified, subject to the sort of conditions set forth in paragraphs 4 and 5 of this memorandum.

J. LÉGER

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601. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], October 25, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Secretary of State for External Affairs
 and Acting Minister of Trade and Commerce (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of National Defence (Mr. Campney),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

TRADE AGREEMENT WITH HUNGARY; EXPORT CREDITS INSURANCE ON GRAIN SHIPMENTS

(PREVIOUS REFERENCE OCT. 18)

7. *The Secretary of State for External Affairs* said provisional agreement had been reached on the text of a trade agreement with Hungary and five accompanying exchanges of letters.

The agreement was quite similar to the one made recently with the U.S.S.R. and was substantially along the lines of other Canadian trade agreements and of the main provisions of the G.A.T.T. Unlike the Russian agreement, however, it did not include provisions on shipping, on the legal treatment of citizens and firms, and on arbitration of disputes. It would come into force provisionally on signature but was to be ratified as soon as possible; its duration would be three years.

The exchanges of letters included a reservation by Canada of the right to fix values for ordinary and dumping duty if, as a result of Canadian obligations under the agreement, any product was imported in such quantities or manner as to cause or threaten serious injury to Canadian producers. The letters also specified the normal procedures to be followed by the Department of National Revenue in assessing values for duty on imports from Hungary. The establishment of a Hungarian commercial office in Canada was also authorized by letter.

It was also proposed that Hungary would agree by letter to purchase, during the terms of the agreement, not less than 300,000 metric tons of wheat in amounts of not less than 50,000 tons each year. Equivalent quantities of barley or wheat flour could be purchased instead of the wheat itself. Finally, agreement had been reached on an exchange of letters providing for the extension of export credits insurance during the present crop year and promising consideration of coverage in the two following crop years.

During the negotiations a number of other questions outstanding between the two countries were discussed, and the Hungarians had promised to bring Canadian representations on those matters to the attention of their government.

The Minister of Trade and Commerce had been informed of the main features of the agreement and supported them. Accordingly, Mr. Pearson recommended, with the concurrence of the Minister of Finance and the Acting Minister of National Revenue, that this agreement be entered into, that the proposed exchanges of letters be effected and that the agreement be ratified after Parliament would have had an opportunity to discuss it.

An explanatory memorandum had been circulated

(Minister's memorandum, October 24, 1956 — Cab. Doc. 205-56†)

8. *Mr. Pearson, as Acting Minister of Trade and Commerce*, also recommended that the Export Credits Insurance Corporation be authorized to enter into contracts of insurance to cover shipments to Hungary of wheat, wheat flour and/or barley in an amount equivalent to 150,000 tons of wheat, on terms of 15 per cent cash and 85 per cent one year after shipment, at specified rates of premium and with specified insurance liability.

9. *Mr. Pearson* added that, in view of recent developments in Hungary, it might be desirable to delay signing the agreement for a few days. If the Russians were suddenly to re-impose full control over the country, the present would not be the moment to take this formal step.

10. *During the discussion* it was said that if a delay in signing might mean that the Hungarians would not purchase wheat, the effects in the Prairie Provinces would be serious. Whatever happened in Hungary at the moment should not affect Canadian action on the agreement. Nevertheless, it would be desirable in present circumstances to postpone signature for a few days if the Hungarians were agreeable.

11. *The Cabinet* approved the recommendations of the Secretary of State for External Affairs and agreed,

(a) that a trade agreement of the nature described in the Minister's memorandum of October 24th be made with Hungary;

(b) that the Minister be authorized to sign the agreement on behalf of the government; it being understood that the actual date of signature would be determined by the Minister in the light of developments in Hungary;

(c) that the proposed exchanges of letters accompanying the agreement regarding the fixing of values for ordinary and special duty, the purchase by Hungary of not less than 300,000 metric tons of wheat during the three-year term of the agreement, the insurance of export credits on wheat or barley, the procedures for the valuation of goods imported into Canada and the establishment of a Hungarian commercial office in Canada, be made at the same time as the agreement was signed;

(d) that the agreement be ratified as soon as possible after Parliament had had an opportunity to discuss it; and,

(e) that the Export Credits Insurance Corporation be authorized to insure sales of wheat, wheat flour or barley in an amount equal to 150,000 tons of wheat valued at $13 million to Hungary for shipment during the crop year ending July 31st, 1957, on terms of 15 per cent cash and 85 per cent one year after shipment, at a premium rate of 1 per cent of 85 per cent of the gross invoice value of each shipment, that the liability be limited to 85 per cent of the gross invoice value of each shipment, that the aggregate maximum liability of the corporation under the insurance contracts be not more than $11 million, and that the total amount of insurance outstanding at any time did not cover more than 150,000 tons of wheat or its equivalent.

(Orders in council were passed accordingly in respect of (b) and (e) above; P.C. 1956-1955 and — 1602, Oct. 25)

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602. DEA/9376-A-40

Note du chef de la Direction économique

Memorandum by Head, Economic Division

CONFIDENTIAL [Ottawa], November 2, 1956

PARTING CALLS OF MR. BARABAS, HEAD OF THE HUNGARIAN TRADE DELEGATION

At Mr. Barabas' request arrangements were made for him to call on Mr. Pearson on the afternoon of Thursday, November 1 as he wished to explain why he considered it desirable to defer signature until he reached Paris. Since Mr. Pearson had to leave at noon that day for the General Assembly Mr. Barabas called instead on Mr. Léger.

2. In his conversation with Mr. Léger Mr. Barabas explained that although his Full Powers were still valid he thought it only fair to both Hungary and Canada that he should secure reconfirmation of his original instructions before committing his government to the agreement in its present form. He was satisfied that this agreement was within his original instructions but he wanted to be certain that it was agreeable to the new government of Hungary and that this government would be prepared to carry out its obligations under such an agreement. He remarked that there had been a "fundamental change" in the Hungarian régime and it was therefore necessary for him to communicate directly with those now responsible for his Ministry, which he could do much more readily from Paris (via Frankfurt) than he could from here. He had sent off a telegram but he was not even sure that it had arrived.

3. Mr. Barabas went on to say that the changes which had occurred might affect the inclination of various countries to provide economic assistance to Hungary. He just did not know how likely this was but it was a possibility that had to be allowed for and might

affect the attitude of the government to the proposed agreement. On the other hand the new government might be very anxious, as one of its first official acts, to conclude a trade agreement with such an important and highly respected country as Canada.

4. Mr. Léger replied that he thought Mr. Barabas' attitude was quite understandable. He observed that many of the changes which had taken place had been in a direction which would be welcomed by the Canadian people. Canada had always been prepared to be friendly towards Hungary but in the past it had not always been evident that Hungary itself desired Canada's friendship. The "normalising" of relations in many fields was clearly in the interests of both countries. As Mr. Barabas had undoubtedly seen while in Canada, Canadians were sympathetic with the Hungarian people in the difficulties through which they have been going during the past few weeks. It was to be hoped that the trade agreement could now be signed and would be found to be of advantage to both Canada and Hungary. If, of course, there were points in the present agreement which might seem to require further discussion, the Canadian authorities were prepared as always to talk such matters over with Hungarian representatives. In our judgment the present agreement would provide a basis for mutually advantageous trade relations.

5. On the morning of November 2 Mr. Barabas telephoned Mr. Ritchie from Montreal to report that he had now received a message from Frankfurt indicating that his earlier telegram had reached Budapest and that in all probability the Ministry concerned would be confirming his Full Powers and his instructions on Saturday or Monday. In that event he would be able to go ahead and sign the agreement with Mr. Désy early next week. He would be able from Paris to discuss the agreement in more detail with his people in Budapest. If they had problems on particular points he wondered whether he could assure them that even after the agreement had been signed in its present form amendments could be considered under the Consultation Article. Mr. Ritchie said that he was certain that such was the case but he added that if of course the other party found itself unable to accept a proposed amendment the unmodified agreement would presumably continue to be effective for the three year period.

6. Mr. Ritchie also remarked to Mr. Barabas that in the rapidly changing situation there was inevitably at least a remote possibility that legal or other substantial problems might arise up to the last moment. Consequently we had asked our Ambassador in Paris to give us several hours (say twelve) notice of signature in order that we may be able to give final consideration to the matter then. He did not anticipate any difficulty at all but he thought this was a desirable safeguard in order to ensure that both governments were quite satisfied about signature at that time. Mr. Barabas agreed fully and said that he would try to let Mr. Désy know definitely on Monday and then signature might take place the following day.

7. Finally Mr. Barabas remarked that he wished to send brief telegrams of appreciation to Mr. Bull as Head of the Canadian Delegation and to Mr. Léger who had received him in Mr. Pearson's absence. Whether or not these telegrams might be released to the press would be a matter for Mr. Bull and Mr. Léger to decide. Mr. Ritchie said that he was sure Mr. Bull and Mr. Léger would be glad to receive such messages and that they might wish to send some word of appreciation to him in Paris. Even if they did not manage to do that, Mr. Barabas could be sure that we had enjoyed our negotiations with him and had been very happy to have him visit us in Canada.

A.E. RITCHIE

603. DEA/9376-A-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État par intérim aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Acting Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], November 5, 1956

SIGNATURE OF THE HUNGARIAN TRADE AGREEMENT

The Head of the Hungarian Trade Delegation left Canada on Friday with the intention of communicating with his Government from Paris and then advising our Embassy of the date on which he would be in a position to sign. Before his departure he was told that we would expect to have twelve hours' notice from our Embassy before signature to permit us to consider whether in the legal and political situation existing at the time we would be willing to proceed with the signing.

2. We have not yet heard from our Embassy but may hear later today or tomorrow. In the light of developments in Hungary over the week-end I would recommend that the Government should decide now whether it would be ready to enter into a trade agreement with Hungary in the foreseeable future. If the decision is that signature should be postponed indefinitely I would suggest that a public announcement to this effect should be made immediately as the newspaper correspondents in Ottawa are already beginning to speculate concerning the Government's intentions. In that event the Head of the Hungarian Delegation would be told when he appears at our Embassy that we have decided not to go ahead with signature for the time being. We might give no reason or we might explain our reluctance to sign in terms of the deplorable methods used to install the present Government in power and our uncertainty concerning our future relations with that Government. If we were to give such reasons we would have to recognize that in doing so we were ruling out any trade agreement with Hungary for a good while to come.

3. In considering whether or not to proceed with signature you will undoubtedly wish to take account of the fact that a failure to complete this agreement may affect the sale of 100,000 or more tons of wheat during the current year and further sales in the two subsequent years. Although such a possible consequence may deserve considerable weight, I think you will agree that it is more than outweighed by the domestic and international political repercussions of what might appear to be a friendly act towards this new and objectionable Soviet puppet régime in Hungary.[144]

4. You may wish to discuss this matter with the Prime Minister if you agree that a decision should probably be taken before Cabinet next meets.

J. L[ÉGER]

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[144] Note marginale :/Marginal note:
I agree. P[aul] M[artin]

604. DEA/9376-A-40

Note du chef de la Direction économique
pour le chef de la 2ième Direction de liaison avec la Défense

Memorandum from Head, Economic Division,
to Head, Defence Liaison (2) Division

CONFIDENTIAL [Ottawa], November 8, 1956

HUNGARIAN TRADE DELEGATION

It is somewhat difficult to give impressions of the Hungarian Trade Delegation retrospectively. In the following notes, however, I have tried to record what my impressions were at the time and have tried to keep them from being coloured by subsequent developments.

2. As you are aware, this delegation consisted of:

Dr. Klara Tolnai
Mr. Tibor Barabas (Head of Delegation)
Mr. Zoltan Szakacs
Mr. Karoly Rose

In addition, Mr. Schaeffer, who apparently looks after Hungarian affairs at the Polish Legation here, was associated with the delegation although in fact I recall having seen him with them only once and that was at the time of their arrival at the airport.

3. I think it would generally be agreed by those participating on the Canadian side that throughout this group behaved in a manner which was considerably different from that to which we had become accustomed in our earlier negotiations with delegations from Czechoslovakia, Poland and the USSR. Although those other delegations (particularly the ones from the USSR and Poland) had impressed us with their ability and flexibility, these qualities were even more marked in this Hungarian group. In addition, they seemed to be genuinely interested in Canadian "culture" and Canadian affairs. There were several evidences even during the early stages of the negotiations (which began around October 2) that they were anxious to widen their contacts in many fields with other countries, including Canada. They were also quite obviously proud of the achievements of Hungarians abroad, even though such Hungarians were clearly unfriendly to the Communist Government of Hungary. When I remarked to Barabas on one occasion that Hungary seemed to have produced a lot of prominent economists for such a small country (e.g. Kaldor and Balogh in the United Kingdom and Varga in the USSR) he replied that Hungary's contribution of outstanding people to the rest of the world had not been confined to economists. He observed that in almost any field you could think of Hungarians had distinguished themselves in many parts of the world (e.g. Ormondy, etc.). They even seemed pleased that a Hungarian Canadian had been chosen as "Miss Rough Rider" despite the fact that the local press played up her political differences with the Hungarian Government.

4. There was quite definitely an appearance of independence and national pride in the case of these Hungarians which I had not noticed to anything like the same degree in the other Eastern European delegations which have been here.

5. Both in the negotiations themselves and in private conversations all four of the Hungarians talked very much in terms of Western concepts and never used the clichés which almost always seemed to intrude into the talk of representatives of other Eastern European countries at one point or another. The matters raised by them in the negotiations

were invariably related to practical trading questions and there was no attempt to bring in extraneous considerations, although Barabas quite frankly admitted on several occasions that a trade agreement was of even greater interest to his country for the purpose of developing general relations with Canada than for the purpose of expanding trade. Unlike the Russians he did not try to make something out of the rather phony issue of the treatment of natural and juridical persons. In fact, when we omitted this provision from the draft agreement he made no comment whatever.

6. Even before things started happening in Hungary several of the Canadian officials remarked on the obvious intelligence of the delegation and the ease with which ordinary conversation could be carried on with them. This was particularly true of Barabas and also, I think, of Rose. Dr. Tolnai, the lady member of the delegation, claimed that she had been a teacher of English language or literature and her conversation seemed to bear this out. It was a little difficult to determine exactly what her role was, although she did take fairly copious notes at the various meetings (but not apparently in shorthand). I had less conversation with Szakacs (who was said to be the heavy industry man while Rose was the representative of light industry), but my superficial impressions of him were not as favourable as in the case of Barabas and Rose. The words which were used most frequently by several Canadian officials (Sharp, Plumptre and Rasminsky) to describe Barabas, and even the group generally, were "cultivated" and "civilized". Parenthetically, it might be noted that, unlike other delegations from that part of the world, this Hungarian group appeared to be remarkably abstemious. While they had a drink socially with us on several occasions there was no tendency to convert a quiet party into a drinking bout. Their own cocktail party for the Canadian delegation was subdued and pleasant.

7. All of the delegation apparently had families still in Budapest. Dr. Tolnai had an elderly mother and the others seemed to have younger families about which they appeared much concerned when the uprising started.

8. We did not get a great deal of information on the backgrounds of the individual members of the delegation, although Barabas himself was clearly an experienced negotiator who had been working out trade agreements with many countries at least over the past six months. He remarked to me that he had in fact negotiated on four continents (including South and Southeast Asia) within that time and for that reason was anxious to get back to see his family from whom he had been almost continuously separated during this period.

9. There were no apparent differences in the reactions of the individual members of the delegation to the events in Hungary. All seemed personally troubled but none commented very precisely on the politics of the situation except at a luncheon which Mr. Watkins gave on October 26. On that occasion I was sitting between Rose and Szakacs, and found Rose quite prepared and even anxious to talk about political developments at home. Although we had excused the temporary postponement of signature of the agreement on practical grounds and had not related it to developments in Budapest, Rose did not attempt to take advantage of this in order to avoid discussing the uprising. Instead he remarked almost at the beginning of the meal that he found our disinclination to sign immediately quite understandable in view of the headlines which were appearing currently in the newspapers. He thought it might look quite strange to see such headlines and then find on an inside page an announcement that a trade agreement had been concluded with Hungary. From this opening remark he went on to express some views on the significance of what was happening.

10. He said quite vigorously that something like this had become inevitable. People were so discontented that some outburst could not be avoided. When Schwarzmann on his left asked him whether economic conditions lay behind this discontent he replied that this was

part of the reason. Undoubtedly living conditions had become worse and people were dissatisfied. He thought the old government had gone much too far in emphasizing heavy industry and doing nothing obvious about the standard of living of the ordinary people. In addition people had become restless at the suppression of criticism. He felt that the former government had unnecessarily repressed free criticism. It could have tolerated much more criticism without suffering seriously. The people would then have been happier and the government might have been better. Another factor was the treatment of Nagy who was very popular and who had become an important symbol. So long as he was kept out of public life a lot of Hungarian people could not be satisfied that everything was alright.

11. Rose expressed the view that the great mistake of the previous government had been to delay Nagy's return by just about two days too many (and also to delay too long the eviction of Geroe whom Rose described as the representative of the "extreme left wing"). During this interval the pressure began to grow and things simply got out of hand. "Right wing elements" were able to take advantage of the situation.

12. Rose had no doubt that the government would continue to follow a "socialist" course. He thought, however, that their agricultural policy might be modified somewhat. The pre-war situation with a few large estates and many minute peasant holdings had been quite unsatisfactory. Since the war agricultural policy had probably gone too far in the other direction. Nagy was very popular with the people in the countryside and would undoubtedly be more responsive to their interests and wishes.

13. About half way through the luncheon Rose and Szakacs more or less simultaneously started enquiring of their luncheon neighbours concerning the organization of the "Reformed Church" in Canada. This led to a lengthy comparison of the organization of the Presbyterian Church in Canada (of which Gordon Urquhart happened to have been an officer for some 35 years) with the Reformed Church in Hungary. Both Rose and Szakacs seemed to be very familiar with the set-up of the Reformed Church, with Rose rather inclined to defer to Szakacs on some of the more technical points. The conversation of this subject went on so long that when Mr. Watkins made some general remarks to the luncheon party at the end of the meal he prefaced them with an apology for interrupting the "theological discussion" which was still proceeding actively at the other side of the table.

14. The only other point of interest in the luncheon conversation of Rose was a remark which he made about the role of the Soviets in the Middle East. He asked me what I thought about the latest news reports on developments in the Middle East. After I replied that I thought it looked pretty bad he mused that it struck him as very strange that a Communist state like the USSR should be associating closely with thoroughgoing Muslim states in that area.

15. When the signing of the agreement was repeatedly delayed Barabas and his colleagues seemed quite understanding and made no attempt to press us or embarrass us. On October 30 when Barabas and Rose called in to discuss a possible date for signature they asked me whether we had an AFP news ticker as they were anxious to get the latest reports on what was happening in Budapest. When I took them in to the ticker the first item which caught their eye was the announcement that the Hungarian Delegation to the United Nations was being dismissed and replaced by one more representative of the new government. Rose remarked to Barabas that fortunately things didn't change that way in the trade field.

16. In a separate memorandum I have already reported on the parting calls which Mr. Barabas made on November 1. Attached is the text† of the en clair message which Mr. Barabas sent on the following day to Mr. Léger. A somewhat similar message (without

the references to democracy and independence) was sent to Mr. Bull. In the light of subsequent developments we thought it best to give a security classification to Mr. Barabas' personal message to Mr. Léger. Mr. Bull is proposing to send a personal message to Barabas in care of the Hungarian Embassy in Paris in which he will speak highly of the respect which we developed for Barabas as a negotiator and for the able way in which he represented the trading interest of his country in the negotiations. Since this message will undoubtedly end up in unfriendly hands (that is the main reason for sending it) it will be expressed in such a way as to make it difficult for the present government to pretend that Barabas was not an effective negotiator on behalf of his country.

17. Attached is a copy of Telegram 819 from the Embassy in Paris concerning the decision which Barabas apparently has taken. We do not know what has happened to the other negotiators. Dr. Tolnai had planned originally to spend two or three days in London on the way back and both we and Earnscliffe had made a considerable effort to get her a visa without undue delay. When Barabas and Rose were in the office on October 30 they indicated that Dr. Tolnai was anxious to have her passport back as she was now planning to go directly to Hungary. Although we told them on the basis of information from Earnscliffe that there was some hope that her visa could be issued later that day, even though it might have to be after hours, they asked to have her passport back since they said Dr. Tolnai was leaving on a plane for Europe the next day. Accordingly we returned the passport to them. Dr. Tolnai was not present herself on that occasion as she was said to be in Montreal where the delegation had spent the past week except for the occasional visits to Ottawa for calls on this Department.

A.E. RITCHIE

[PIÈCE JOINTE/ENCLOSURE]

L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures

Ambassador in France
to Secretary of State for External Affairs

TELEGRAM 819 Paris, November 6, 1956

CONFIDENTIAL

Reference: Your telegram EE-203 November 5.†

HUNGARIAN TRADE AGREEMENT

Mr. Barabas called to see me yesterday afternoon before your telegram had arrived. He handed me the sealed envelope containing the documents and said at once that in view of the political situation in Hungary he could not sign the agreement. He asked particularly that no publicity should be given to his decision since it might give rise to difficulties for his family who are still in Hungary.

2. Please advise us as to the disposition of the documents.

[JEAN] DÉSY

605. DEA/9376-A-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

SECRET [Ottawa], November 23, 1956

HUNGARIAN TRADE AGREEMENT

Mr. Désy, in his telegram attached,† reports that Barabas has approached him requesting signature of the proposed trade agreement with Hungary. Copies of this telegram have been passed to the Departments of Trade and Commerce and Finance for the comments of their Ministers. At the same time, it was noted that I would recommend to you that no action on the agreement be taken under existing circumstances. (Mr. Harris has signified his concurrence with this but has also suggested that later signature should not be ruled out, and should, in fact, take place at the earliest favourable opportunity).

If you agree and if the Department of Trade and Commerce also report that Mr. Howe concurs, I will send a telegram† to Mr. Désy telling him to inform Barabas that signature cannot now be agreed to, but that this does not rule out signature at a later date if conditions are more favourable.[145]

J. L[ÉGER]

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[145] Note marginale :/Marginal note:
I agree. L.B. P[earson]

CHAPITRE IV/CHAPTER IV

EXTRÊME-ORIENT
FAR EAST

PREMIÈRE PARTIE/PART 1

INDOCHINE : COMMISSIONS INTERNATIONALES DE SURVEILLANCE ET DE CONTRÔLE
INDOCHINA: INTERNATIONAL COMMISSIONS FOR SUPERVISION AND CONTROL

SECTION A

VIETNAM

606. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 34 Washington, January 6, 1956

CONFIDENTIAL

Reference: Your letter Y1738 of Dec 29.†
Repeat London No. 2; NATO Paris No. 2.

VIETNAM — THE NEXT MOVE

Your letter under reference with its enclosures (a) "The Next Move in Vietnam",[1] and (b) "Canadian Objectives in Indochina",[2] on which you asked our early comment, reached us only on January 4. In view of your interest in an early response, we shall limit this message to the more general observations which have occurred to us on reading these thoughtful memoranda, and these only in outline as you suggested.

Essentiality of the Commissions

2. Both memoranda underline the necessity of continuing the Commissions in Indochina — memorandum (a), which envisages the withering away of the Commissions after July 1956, perhaps less so than memorandum (b), which deals with the Commissions as essential and continuing features of "the delicate structure on which the peace of Asia might depend".

3. Let us as the devil's advocate question this major premise of essentiality and suggest that the presence of the Commissions in Indochina is only "desirable" rather than "essential". Is it not the fear of war or an acceptance of the *status quo* (as mentioned in both

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[1] Voir/See Volume 21, Document 643.

[2] Voir/See Volume 21, Document 640.

memoranda) which keeps the peace in Indochina? If the Communists change their minds, would the presence of the Commissions be a major deterrent to renewed hostilities in Indochina (or in Korea where the Communists moved in 1950 with a UN body on the scene)? What real backing has the Commission in Vietnam now that its primary task of overseeing the peaceful redeployment of opposing forces has been completed? The British and French Governments are already somewhat embarrassed by their Geneva commitments and may in time feel not dissimilarly about the Commission in Vietnam; the Soviet Union seems content at the moment to avoid any initiative in Indochina; the United States is specifically uncommitted to the Geneva Accords beyond a pledge not to upset them, and finally, perhaps the most concerned party, South Vietnam, openly opposes the Geneva settlement and has been cool towards the Commission. Other Geneva Conference powers have shown little interest in the settlement or the Commissions, nor have they been encouraged to do so. Are the supervisory powers wise then to be more interested in continuing their onerous duties than those powers on whose behalf they were invited to serve? Would it not be better to let the present Commissions wither as fast as natural political forces allow, avoiding provocative action but leaving it to the powers who must assume responsibilities if the peace is threatened to make the pace?

4. If, on the other hand, the presence of the Commissions is essential (bearing in mind that the Geneva formula is now unrealistic), what does this mean for Canada in terms of length of service, friction with our friends, our reputation as an objective middle power, and new responsibilities for the maintaining of the peace? The current attitudes especially in Vietnam are not likely to change even after July 1956; do we therefore face indefinite service? We may expect continued differences over Indochina to impinge upon our relations with India and the United States particularly. If the Commissions of which we are members must more and more turn the blind eye to the violation of the letter and the spirit of the Geneva Agreements, will our international reputation not suffer? If, on the other hand, we agree to serve in circumstances where "the Geneva Conference powers recognize the unworkability of the existing programme for a political settlement", do we not assume new responsibilities not in our original agreement to serve?

5. We are not certain of the correct answers to the questions posed above. In our view, however, they suggest that we should carefully weigh the two factors of Commission essentiality and Canadian interest before embarking on any firm plan of action.

Canada's Stake in the Commissions

6. We must ask ourselves whether we would wish to remain on a Commission or Commissions which by inaction would in some sense condone violation of the agreement under which the Commissions served, whether by the Communists or by others. The Swiss and Swedes face this uncomfortable issue now in Korea. Behind the facade of an agreement supervised by an international body the Communists in Korea are building up their military strength while berating the UN for alleged violations which we have been assured have not taken place. While there is little direct evidence in Vietnam as yet of similar violations, i.e., in the matter of military reinforcements, there is no guarantee that this condition will prevail. In Laos we know that the Pathet Lao cannot and do not stand alone. In Cambodia there has been some recent evidence of Polish skulduggery.[3] We know from experience that Communist régimes cannot be counted on to carry out their pledged agreement, even to a bargain, and further that Communists generally tend to regard concessions by the other side as evidence of weakness to be exploited. Nor can we be certain that

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[3] Voir/See Volume 21, Document 666.

Western advice will be accepted in every instance by the Diem Government in Vietnam or the royal government in Laos. The Commissions in Indochina up until now have a good record. Should we be anxious to continue our association with them if it is to become almost impossible to maintain that good record?

The Link Between the Settlements

7. Memorandum (b), more so perhaps than memorandum (a), gives prominence to the importance of the link which exists in the Communist mind between the activities not only of the three Commissions in Indochina but also of the NNSC in Korea. Mention is made as well of the inter-relation of events in the Formosa Straits, Korea and Indochina. The sound argument which is based on this analysis of Communist thinking is that the West should be careful not to disturb the Communists unduly in any one section of this sensitive chain lest this provoke dangerous Communist reaction in another section. It is perhaps equally valid to argue that firm (not provocative) action by the non-Communist powers concerned in one section of the chain would have a beneficial effect elsewhere; if, for example, some balancing action is taken in Korea to offset obvious Communist violation of the armistice, there may be less inclination on the part of the Communists in Vietnam to follow these same practices.

The New Formula

8. The formula suggested in paragraph 20 of memorandum (a) is ingenious although it might perhaps be interpreted as giving the final declaration of the Geneva Conference even more weight (by indirection admittedly) than it has at the moment, and for that reason the Diem Government might find it difficult even to acquiesce by silence. It might be a slight improvement to refer to Article 14 of the Cease-fire Agreement rather than to the Final Declaration.

9. If, on the other hand, it could be assumed that the acceptance by the interested powers of the *status quo* in Vietnam, rather than the Armistice Agreement or the Commission itself, keeps the peace, it may be possible to do something more positive than is suggested in the formula to involve the one important party in the continuance of the Commission which is so far not deeply involved, i.e., the [... Govern]ment. A part of the idea suggested by Scott, the U.K. [Commissioner General] in Southeast Asia (our letter 1988 of December 9)† [...][4] Vietnam might be asked a series of questions concerning the political settlement. Their answers would probably indicate that there was no basis for immediate action and this lack of agreement in a sense would be a new agreement replacing the Geneva formula. Some such approach might be even more satisfactory to the Indians if, as memorandum (a) suggests, the Indians desire some alternative arrangements "outside the Geneva settlement".

Consultations

10. It seems to us that whatever plan you contemplate adopting for dealing with the immediate situation in Vietnam should be discussed, in general terms at least, with the United States Government as well as with the United Kingdom and French Governments. It has been our experience that important suggestions such as those contained in the Departmental memoranda are discussed by the Foreign Office with the State Department

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[4] Les crochets comprendraient la partie du texte qui manque à l'original, un des coins de celui-ci ayant été déchiré.
The material in square brackets indicates the portion of the text missing from the original, which has been torn in one corner.

as a matter of routine. We would recommend, however, that, for the more substantial reason of United States interest and responsibility in Indochina, we should discuss with the State Department, from an early stage, our ideas on the future of the Commissions. Whenever we have adopted this practice we have had a measure of success in gaining for our positions the support of the State Department and its not inconsiderable influence on the specific matter under consideration. Finally, with reference to paragraph 23 of memorandum (a), we would suggest that perhaps in discussing our plans with the Indians, we should not become involved in threatening the Indians with United States action even by allusion.

11. We shall not include in this message a number of the further detailed comments which occur to us on specific points made in the two Departmental memoranda because our object here has been to indicate the main questions which arise in our minds (and which may arise in other minds) in studying the memoranda. Memorandum (a) as it stands is the kind of balanced analysis which could serve as a good basis for preliminary discussion with other interested governments. We hope that some of the ideas in this message might, however, assist in making that memorandum even more effective.

A.D.P. HEENEY

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607. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Inde

Secretary of State for External Affairs
to High Commissioner in India

TELEGRAM Y-24 Ottawa, January 9, 1956

CONFIDENTIAL. IMPORTANT.

Reference: Our letter No. Y-972 of December 29, 1955.†
Repeat London No. Y49; Washington No. Y47; Paris No. Y21; Hanoi No. Y9.

VIETNAM: THE NEXT MOVE

I am somewhat reluctant to adopt the policy recommended in the Departmental memorandum [The Next Move in Vietnam] enclosed with the letter under reference until we get a clearer picture of the Indian appreciation of the Vietnam situation and particularly of Mr. Nehru's attitude which I believe to be of fundamental importance. Consequently before we embark on any campaign to convince the Indians of the desirability of maintaining the Vietnam Commission in being for an indefinite period I would be grateful if you would try to see Mr. Nehru himself and ascertain the direction of his thinking.

2. As a point of departure for your enquiries you might take the section on Indochina in the Nehru-Bulganin-Khruschev communiqué[5] and ask for information on the views exchanged on this subject with the Soviet leaders. I would particularly like to know what Indian intentions are likely to be in the event that the "impediments" to the Vietnam settlement alluded to in the communiqué persist — i.e. if the South Vietnamese Government persist in their refusal to assume responsibilities under the Cease Fire Agreement and to engage in substantive discussion with the Democratic Republic on the holding of elections.

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[5] Voir/See *New York Times*, December 14, 1955.

3. If Mr. Nehru is inclined to reply by enquiring about Canadian views you might indicate that your interpretation of whatever information you have leads you to believe that the tentative direction of our thinking is along the following lines:

(a) It is vital to the maintenance of peace generally and to the working out of a more durable settlement that the existing armistice be maintained.

(b) Collapse of the present arrangements for international supervision of the armistice might well lead both the Democratic Republic and the State of Vietnam to seek other props to their security which could contribute to tensions and instability in the area (for your information — not for mentioning to Mr. Nehru — what we have in mind is that weakening of the present framework of the armistice and apprehension of a new threat from the North might lead South Vietnam to appeal for more explicit United States and SEATO commitments to the defence of South Vietnam).

(c) It would be extremely difficult to get the Geneva Conference powers to negotiate a new settlement within the next several months which would take account of the present political realities in Vietnam, or even to agree upon new terms of reference for the International Commission. The British and French (let alone the South Vietnamese) could hardly agree to more specific undertakings for a settlement than that contained in paragraph 7 of the Final Declaration, and on the other hand the Communist Governments could hardly accept any dilution of the present programme for a political settlement.

(d) We recognize and indeed share India's desire not to be a party to the frustration of the Geneva settlement, and would be prepared to consider joining India in seeking the guidance and assistance of the Co-Chairmen in dealing with the problems relating to the future of the Commission. Pending progress towards a political settlement or pending the issuance of new instructions to the present Commission the question arises as to whether it might not be possible or desirable to get all the Geneva Conference powers to acquiesce in the continuance for the time being of the present arrangements both of the armistice and of international supervision of it. Both sides presumably wish to see the cease fire maintained and the present state of North-South relations and the international situation generally suggest that some degree of international supervision may be needed for a time in order to maintain the armistice. Acquiescence by the Geneva powers in this sense would surely absolve the Commission powers from any responsibility for contributing to the frustration of the Geneva settlement.

(e) We are anxious to liquidate our supervisory obligations in all three Indochinese States, but are even more anxious that in the process of doing so we do not contribute to the development of new tensions in the area and a new threat to the peace which could have serious repercussions elsewhere.

(f) We contemplate the continuance of the anomalies in the Vietnamese situation with anxiety, but nevertheless believe that they are not nearly so serious as in Korea, where it has been possible to maintain a relatively stable armistice even though the South Koreans denounce its terms much more vociferously than the South Vietnamese object to their armistice, and offer no practical cooperation whatsoever.

4. If you find it necessary to advance these views it should be done on a very tentative basis only. The main object of your interview should be to elicit Indian ideas, not to press our own. Before putting a case of the kind outlined in our memorandum to the Indians we would like to exchange views with the British and possibly the Americans and French as well on the basis of such information as you are able to obtain concerning Mr. Nehru's thinking. We will wish to study your report on your interview with Mr. Nehru before we

pass any information concerning our own or Indian views on this matter to other friendly governments.

5. If you sense any intention on the part of the Indians to state their position formally in the near future or to deliver to the Co-Chairmen any ultimatum about withdrawal from the Commission, particularly in response to the recent circular note[6] from the Co-Chairmen to the Geneva Conference powers and the Commission powers, you might express the hope that they will not act without again exchanging views with us.

6. For Hanoi: Please repeat by bag to Saigon, Phnom Penh, and Vientiane.

[L.B.] PEARSON

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608. DEA/50052-A-40

Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures

High Commissioner in India
to Secretary of State for External Affairs

TELEGRAM 47 New Delhi, January 19, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: My telegram 43 of Jan 17.†
Repeat Saigon No. 3.
By bag Hanoi, Phnom Penh, Vientiane.

VIETNAM — NEXT MOVE

I called on Mister Nehru January 18 to discuss the atomic reactor project[7] and Vietnam. He had been briefed by M.J. Desai just before I saw him. My impression is that he used part of this briefing in speaking to me although what he said was not entirely consistent with Desai's line later in the day. I do not think he has been giving much attention lately to Vietnam. His mind has been on other things. For instance, it was only on the 16th that the government announced its decisions on most of the difficult problems connected with states reorganization.

2. As you suggested I started the discussion by referring to the section of the Soviet-Indian communiqué. Nehru said that there had been virtually no discussion with the Soviet leaders on Indochina. There had been not much more than a reference by them to the lack of cooperation by South Vietnam. They indeed showed little desire to talk about East Asian or Southeast Asian problems generally. Thus they would say about some problems that they understood that these were being discussed by the Chinese with the U.S. Ambassador in Geneva. They gave the impression that they were content to leave to China the responsibilities for dealing with problems in this area.

3. When I referred to the two impediments as being, first, the refusal of South Vietnam to assume responsibilities under the Cease-fire Agreement, and secondly the refusal to engage in substantive discussions with the North on the holding of elections, Nehru said it was

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[6] Voir/See United Kingdom, Parliamentary Papers, Cmnd. 2834, *Documents relating to British Involvement in the Indo-China Conflict, 1945-1965*, London: Her Majesty's Stationery Office, 1965, Document 60, pp. 114-115.

[7] Voir/See Volume 22, Document 670.

really one impediment. He was not particularly concerned by the refusal of the South formally to accept responsibilities under the Agreement as long as they gave practical cooperation. The important thing was to get the two sides to meet to talk about elections. He did not think anything much would come of the talks to begin with but he always considered it was better to talk on matters like this than not to talk.

4. He went on to say that the only people who could do anything were the two Co-Chairmen. He did not know what steps they could take except to give strong advice (presumably he meant to the South) to get the two sides to meet. He again repeated that "The important thing is that they should meet."

5. As you will see from my immediately following telegram† Desai took the line that the South should formally accept responsibilities under a new agreement. I did not draw his attention to this apparent divergence from the views expressed to me by Nehru in the morning since I think it is just as well as this stage that Indian policy should not become too rigid. My impression is that once Nehru becomes fully aware of the problem he will agree with Desai.

[ESCOTT] REID

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609. DEA/50052-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM Y-206 Ottawa, February 7, 1956

CONFIDENTIAL. IMPORTANT.

Repeat Washington No. Y-229; Paris No. Y-112; New Delhi No. Y-108; Hanoi No. Y-31; Saigon No. Y-25; Phnom Penh No. Y-18; Vientiane No. Y-34.

CONVERSATIONS WITH UK OFFICIALS — INDOCHINA

Departmental officials had useful discussions yesterday and today with Sir Harold Caccia and Sir Hubert Graves (Far Eastern adviser to the United Kingdom Ambassador in Washington) on Indochina. They showed us a draft message to Mr. Nehru (which has now been despatched for oral delivery by Mr. MacDonald, and which is being repeated to you separately) arguing that the Geneva Agreements should be maintained in force but that no useful purpose would be served at this stage by a reconvening of the Geneva Conference.

Vietnam

2. With respect to Vietnam we indicated our general accord with the substance of this message, subject to an amendment mentioned in paragraph 3 below. We expressed the view, however, that this démarche to the Indians — while a most useful step towards deferring a crisis on the political aspect of the Geneva settlement — may not of itself suffice to dispose of all the causes of Indian irritation with the present situation in Vietnam. Refusal of the Diem Government to accept responsibilities under the Cease Fire Agreement was rendering the Vietnam Commission progressively more unworkable, and it was desirable that steps be taken now to avoid a situation in which Indian patience might be stretched to the breaking point, thus precipitating a premature withdrawal of the Commission in circumstances that could have unfortunate results — e.g. increased tensions owing to uncer-

tainty regarding the continuing implementation of the armistice, incidents on the demarcation line, increased aggressiveness on the part of the Vietminh, increased involvement of SEATO in Vietnam, and — most important of all — Indian exasperation with the Diem Government and its Western supporters for their unwillingness to co-operate with and support Indian efforts to make the Geneva settlement work.

3. While it was admitted that the Diem Government would probably continue to oppose very firmly any legal commitment to uphold the Geneva settlement, it was agreed that everything possible should be done to induce the French and Vietnamese to work out some arrangement for the transfer of responsibilities now resting on the French high command which would enable the Vietnam Agreement to continue in force. The Vietnamese request for the early withdrawal of the French Expeditionary Corps from South Vietnam provides an immediate occasion for the resumption of Franco-Vietnamese negotiations concerning future responsibility for the discharge of the present obligations of the French high command under the Cease Fire Agreement. Efforts to promote the success of these negotiations should go some way towards reassuring the Indians that something is being done to put the Vietnam Commission on a more workable basis (it was for this reason that we suggested that the message to Mr. Nehru include some reference to the prospect of the early commencement of these negotiations, which now appears as paragraph 3 of the message). Moreover if the negotiations are successful — or even partly successful — the prospect of winding up with the makings of a reasonably stable armistice would be much improved.

4. As a result of our discussions concerning Vietnam we understand that the United Kingdom are prepared:

(1) To raise with the French the desirability of getting started as soon as possible on negotiations with the Vietnamese concerning the transfer of responsibilities under the Cease Fire Agreement of the French High Command;

(2) To obtain from the French draft proposals for an exchange of notes with the Vietnamese on this subject, with a view to their discussing with the United States ways and means of furthering the progress of the negotiations; and in this connection;

(3) To take the matter up with the Diem Government before the South Vietnamese Assembly is convened and to impress upon it the advantages to the South Vietnamese of reaching an agreement with the French and thereby enabling the Armistice Agreement to remain in force; and

(4) To keep the Indians informed of the progress of the negotiations and to counsel them to exercise patience with respect to the Commission's difficulties while the negotiations are in hand.

Laos

5. The Pathet Lao reply of January 25 to the January 7 political resolution can be considered as a rejection and the Commission has agreed to a factual report on the outcome to the Co-Chairmen, probably within the week. We informed the United Kingdom officials that it might be difficult to persuade the Indians that the Commission should give publicity to the results, although our Commissioner in Vientiane has not given up hope that this might take place. We agreed that it would be desirable to make the most of the Pathet Lao refusal and Sir Harold Caccia expressed the opinion that Mr. Lloyd would undoubtedly agree to send Mr. Molotov a strong note and give it full publicity. We hoped, however, that any publicity given by the US or UK Governments to the fact that the January 7 resolution upheld the Royal Government's right to restore its administrative control over the Northern provinces would be phrased in such a way as not encourage the Royal Government to expect SEATO backing for an attempt to recover control by military action.

6. We also took the opportunity to brief our United Kingdom colleagues concerning the latest developments regarding the cease fire resolution of December 9, 1955. Both the Royal Government and the Pathet Lao accepted this resolution, which was also reiterated in the January 7 political resolution, but the Royal Government are unwilling to agree to a military demarcation line set by the Commission's military committee on the basis of earlier agreements reached between the military liaison groups of both parties and confirmed by the Katay-Souvannavong cease fire agreement signed at the Rangoon Conference. As all hope of an early political settlement appears to have faded the RLG are afraid, and quite rightly so, that by agreeing to a demarcation line they would in fact be agreeing to a formal *de facto* partition of their kingdom.

7. The Indians are insisting that a demarcation line is the only sensible way of preventing hostilities and that the RLG must live up to its former agreements. They argue that one of the major purposes of the International Commission in Laos is to ensure that the armistice is kept. The Indian's insistence on a demarcation line recommendation being passed by the Commission confronts us with the choices of

(a) abstaining

(b) voting against the Indians, and Poles who are supporting their views, or

(c) voting for a recommendation which the RLG will not accept.

8. Because of earlier positions we took in the Commission on this subject, admittedly at a time when we had more hope that a political settlement might be worked out, we would find it difficult now to split with the Indians on this issue without antagonizing them to an extent where we might lose their co-operation in our efforts to place the blame, where it principally lies, on the Pathet Lao for their failure to accept the restoration of the RLG administration in Phongsaly and Samneua. If we vote for a demarcation line resolution, however, we would run a very grave risk of having to follow this up with a censure of the Royal Government for its failure to co-operate with the Commission in its attempts to put a stop to hostilities. We suggested, therefore, that we might consult urgently with the Foreign Office in London on the basis of recent communications from our Commissioner and the United Kingdom Ambassador to try to determine the right course to be followed in this perplexing situation.

Cambodia

9. Although Cambodia was not mentioned in the United Kingdom communication to Nehru we discussed the future of the Commission in Cambodia with our United Kingdom visitors. We explained that, while we had an understanding with the Indians regarding the desirability of a progressive reduction of the Commission's personnel and activities leading up to its eventual withdrawal, the Indians might decide, on legal grounds, to accept the Polish view that a decision to withdraw the Commission must be unanimous and that any one member has a legal veto power over its dissolution. In such circumstances it might be difficult for the Commission to dissolve itself, especially as the Poles have indicated they are opposed to this.

10. We suggested that United Kingdom Government might initiate a frank discussion of the problem with the Cambodian Government pointing out that the settlements in Laos and Vietnam are of concern to the security of Cambodia and that therefore they should be patient and not take any precipitate action regarding the Commission. We also suggested that it would be helpful if the United Kingdom would point out to Cambodia that it should in its own interests avoid bringing any new business, such as the recent border disputes with South Vietnam, to the Commission for settlement. The United Kingdom might also consider telling the Cambodians that a way would be found to withdraw the Commission

from Cambodia in a few months. In the meantime Cambodia might be warned to be prepared to give assurances that it will accept responsibility for the continued implementation of those articles of the General Agreement which will continue to apply until there is a settlement in Vietnam.

For London — We did not have an opportunity to check this outline with Sir Hubert Graves or Sir Harold Caccia. Copies are however being made available to Earnscliffe and we suggest you pass copies to CRO and the Foreign Office.

For Washington — You may brief the State Department orally and in general terms concerning our talks as outlined above, checking first to ascertain whether the United Kingdom Embassy has passed a copy of the message to Nehru to the State Department.

For New Delhi — You will receive a separate message concerning information which might be passed to the Indians.

For Paris — As the United Kingdom will be discussing the Vietnam problem with the French in the near future, it might be more helpful to the United Kingdom approach if no detailed information on the Vietnam talks were passed to the French at the present time. If UK Embassy has informed French about communication to Nehru you could say we discussed this and prospects of improving Vietnamese cooperation with the Commission. You may give full information on Laos and Cambodia discussions.

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610. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM Y-199 Ottawa, February 7, 1956

CONFIDENTIAL. IMPORTANT.

Repeat Paris No. Y-107; Washington No. Y-221; New Delhi No. Y-104; Hanoi No. Y-29; Saigon No. Y-23; Phnom Penh No. Y-17; Vientiane No. Y-33.

INDOCHINA — UNITED KINGDOM MESSAGE TO NEHRU

Subject to minor textual amendments following is the message from Mr. Selwyn Lloyd to Mr. Nehru, despatched yesterday to New Delhi for oral delivery by Mr. MacDonald.

Message begins:

1. The position in South Vietnam, although improving, is not yet very solid. The majority of the population, which now includes three-quarters of a million refugees from the North, remains very sensitive to any move which might suggest the possibility of an eventual extension of Vietminh rule to the South. The view of the government appears to be that to embark on consultations with the more populous and tightly-organised North, with the prospect of eventual nation-wide elections as the final stage in the process, would disturb, and indeed alarm, public opinion to such a degree that further efforts an internal consultation would be fruitless. In this they may be right. At any rate, our view, based on the advice we have received from Saigon, is that until there is a government which has received a popular mandate in the March elections, Mr. Diem would be most unlikely to move far from his present position. In these circumstances, we think that no useful purpose would be served at this stage by re-convening the Geneva Conference. This does not mean that we

have abandoned the stand we took in 1954 over the desirability of genuinely free, properly supervised elections. But we must base our policies on the facts as they are. We would hope that when the Government in South Vietnam is more soundly based, they would be in a more solid position to make contacts with the North, which may open up more far-reaching possibilities. We shall certainly use our influence to persuade the Government of Vietnam to work towards this.

2. Meanwhile, we are convinced that the efficient discharge of the onerous duties imposed on the International Supervisory Commissions in Vietnam, Cambodia, and Laos, and especially the additional chairmanship and secretarial functions undertaken by the Indian authorities have contributed largely to the upholding of the cease-fire agreements. By exercising a practical judgment on various issues, the Commissions have helped to ensure the continued effectiveness of the agreements. We are, of course, well aware of the practical difficulties which the Commissions have encountered.

3. A recent development has also to be taken into account. We understand that the French have been formally requested by the Vietnam Government to withdraw their expeditionary force. We fully expect that negotiations will be held between the French and the Vietnam[ese] regarding the obligations which the French now have under the 1954 Agreement. We shall, of course, do what we can to impress on Mr. Diem the necessity of placing the relations between his Government and the Commission on a more workable basis.

4. So far as Laos is concerned, we have been impressed by the finding of the Supervisory Commission as disclosed in its resolution of January 7. This drew attention once more to the rights of the Royal Government throughout its territory and pointed to violations of the agreement by the Pathet Lao faction. We have since heard that the International Commission received an entirely unsatisfactory reply in a letter dated January 25. We trust nevertheless that Mr. Nehru will share our view that the terms of the resolution of January 7 shall be fulfilled, and that no steps shall be taken which would appear to result in the formalisation of the partition of the country.

5. We have given much thought to these several problems of Indochina and our conclusion is that there is much to be gained by doing all we can to sustain the 1954 Agreements. We very much hope that we shall have Mr. Nehru's valuable support along the lines suggested. Message ends.

For your information only, we had an opportunity to see the message in draft form and to suggest amendments to paragraph 3 and 4. The message in its final form was concurred in by the Minister.

611. DEA/50052-A-40

Extrait d'un télégramme du secrétaire d'État aux Affaires extérieures au haut-commissaire en Inde

Extract from Telegram from Secretary of State for External Affairs to High Commissioner in India

TELEGRAM Y-111 Ottawa, February 8, 1956

CONFIDENTIAL. IMPORTANT.

Reference: Our telegram Y104 of February 7, 1956.

Repeat London No. Y209; Washington No. Y232; Paris No. Y116; Hanoi No. Y32; Saigon No. Y26; Phnom Penh No. Y19; Vientiane No. Y35.

CONVERSATIONS WITH UK OFFICIALS — INDOCHINA

We suggest that you take an early opportunity to inform Mr. Nehru or Mr. Desai of the general nature of our discussions with United Kingdom officials concerning Indochina. Without associating us with the message which Mr. Lloyd sent to Mr. Nehru, you might say that so far as the political aspect of the Geneva settlement was concerned we agree with the considerations which have led the United Kingdom to the conclusion that no useful purpose would be served at this stage by seeking to reconvene the Geneva Conference. We do not think that Diem would agree to South Vietnamese participation.

2. You might go on to say that we reviewed with the United Kingdom officials the present and future tasks of the three Commissions. In connection with Vietnam we discussed in particular the difficulties facing the Commission there arising from the separation of responsibility and authority in South Vietnam — difficulties which would have to be rectified if the International Commission is to perform its task properly. We called attention to the recent South Vietnamese request that the French Expeditionary Corps be withdrawn, which should provide an immediate occasion for the resumption of Franco-Vietnamese negotiations on the future discharge of the obligations under the Cease Fire Agreement now resting on the French High Command. We expressed the view that the solution of this problem by the French and the South Vietnamese would be necessary if the Armistice Agreement were to be continued in force. We asked the United Kingdom to use its influence with both parties to encourage the progress of these negotiations. We are making similar representations to the Americans.

. . .

8. The foregoing outline of our exchange of views with the United Kingdom is not intended as the considered views on the future of the Commission which the Indians presumably expect from us in exchange for what they have told us of their own thinking. If you think it desirable you might tell the Indians that you have the personal impression that we may have some more detailed comments concerning the future course of developments with respect to the Geneva settlement to pass on to them in the near future. For your information, we hope to get these to you within the next week, but do not wish to make a commitment to give additional views until these have been approved by the Minister.

9. We received the impression that one of the principal reasons why the United Kingdom are anxious to avoid a reconvening of the Geneva Conference is that they think the United States and South Vietnam would refuse to participate, and since the French would be chiefly interested in unloading their special responsibilities, the United Kingdom would be placed in the embarrassing position of having to defend a weak position against Chinese, Russian, Vietminh and Indian pressure.

10. In view of the United Kingdom message to Mr. Nehru and of your impression of Krishna Menon's intention to propose three-cornered discussions in New Delhi on Vietnam in the near future, you may be sounded out on this proposal, which both the Communist states and the Indians may regard as the next best substitute for a reconvened Geneva Conference. We would regard it as a great mistake for us to participate in a meeting whose principal object would be to draft amendments to the programme for a political settlement: we would be unable to protect the position of South Vietnam in any paper plan which might be devised for the holding of free elections and subsequent unification. The production by the supervisory powers of any revised version of Paragraph 7 of the Final Declaration — either with or without Canadian concurrence — would serve only to provide the Communists with the means of bringing additional pressure on South Vietnam and putting them at an even greater propaganda disadvantage. We might have to adopt a more

flexible position on proposals that the Commission powers meet to review progress and prospects in the implementation of the cease fire agreements and even the drafting of amendments to the cease fire agreements, since there is provision for this in the agreements themselves.

11. Accordingly, if the Indians raise this idea of a special meeting of the Commission powers, you might say that you would have to consult Ottawa, but that your own impression is that we have always regarded our responsibilities with respect to Indochina as limited to the supervision of the three armistices, and that you believe that the Government would be very reluctant indeed to take part in discussions concerning the political settlement in Vietnam, particularly in the absence of the parties directly concerned; that consideration by the supervisory powers of amendments to the cease fire agreements might be a different matter, but your own opinion is that until the results of Franco-Vietnamese discussions insofar as they relate to the assumption of responsibilities by South Vietnam for the maintenance of the armistice are apparent, it would be difficult for the supervisory powers to do a constructive job in this field.

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612. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 243 Washington, February 9, 1956

SECRET
Reference: Your telegram Y-229 of Feb 7.
Repeat London No. 19; Paris No. 7.

VIETNAM

We received today, February 9, your telegram under reference covering the recent Ottawa conversations on Indochina with United Kingdom representatives. Several days ago arrangements had been made for a discussion today with Young, the Director of the State Department's Office of Southeast Asian Affairs, by Old Commonwealth representatives, as one of the regular series of talks which we have with him. Sir Hubert Graves, who had been in Ottawa, attended for the United Kingdom. In the course of the discussion, perhaps inevitably, we found ourselves in the somewhat awkward position of listening to Sir Hubert outline Canadian thinking on Indochinese subjects which had become evident in the talks in Ottawa. We saw Young separately following the Commonwealth meeting, to supplement from your telegram under reference Sir Hubert's account of the Ottawa meeting. What follows is an outline of Young's reaction to the points of immediate concern made both at the Commonwealth meeting and at our separate meeting with him.

2. We might mention that Sir Hubert, in addition to covering much of the same ground on Vietnam which was covered in your telegram under reference, said that United Kingdom officials had been impressed with the Canadian argument as to the necessity of speaking to Diem immediately on the matter of his assuming practical responsibility for the Commission's activities in Vietnam. Graves said it was your view that to leave an approach to Diem on this score until after the March elections in Vietnam would be delaying action too long. He said that the Foreign Secretary agreed with your point and had

instructed Graves to speak to the State Department along these lines. Sir Hubert spoke to Walter Robertson last night in these terms and developed the argument further with Young at our meeting. The final text of the United Kingdom message to Mr. Nehru was to be given to the State Department later today.

3. Much of the discussion with Young on Vietnam both at the Commonwealth meeting and at our separate meeting with him centred on the Vietnamese request for the early withdrawal of the French Expeditionary Corps. At the time of our earlier conversation with the State Department on this matter (our telegram 216 of February 6†), officials did not know of the second South Vietnamese letter to Hoppenot, which actually requested the withdrawal of the FEC.[8] Young said that even now, however, the State Department's view is that South Vietnam would be willing to see a reduced French Military Mission remain in the country. Young made it clear as well that officials would recommend to Mr. Dulles that a strong and early approach be made to Diem urging him to reach a satisfactory arrangement with the French which would involve the continued presence of a sizable French Mission (perhaps a few thousand personnel). It seemed to be Young's view that Diem might respond favourably to such an approach if it were based mainly on practical grounds of South Vietnamese self-interest, i.e., the continued build-up of the South Vietnamese armed forces and continued trouble-free relations with the United States on the matter of the proper handling of United States military equipment in South Vietnam (cf. our telegram 216 of February 6). Naturally, stress would be laid as well on the importance of providing continued logistic support and security for the International Commission; if, however, the approach to Diem was to be successful, it had to take into account his inability to go too far towards assuming formal responsibility under the Geneva Agreement as such. Young continued to believe that the South Vietnamese letter to the French, in spite of what it said, should be regarded more as a move to force the French to negotiate than as indicative of a real desire by Diem to force the French out of Vietnam entirely. From Young's comments we are inclined to believe that United States action will be taken with Diem which will in part, at least, meet your point that everything possible should be done to induce the French and the Vietnamese to work out some arrangement which will enable the Vietnam agreement to continue in force and which should go some way towards reassuring the Indians that something is being done to put the Commission on a more workable basis.

4. There could be no doubt from our discussion that Young appreciated the other major point with respect to Vietnam made in your telegram under reference, namely, that every effort should be made to avoid the precipitation of a premature withdrawal of the Commission by failure to take into consideration the Indians' views. He expressed the State Department's interest in "an orderly transition from what has been to what is to be". He said that the State Department would be giving immediate thought to the broad possibilities of what came next in Vietnam and he was impressed by the Canadian argument that valuable time between now and March should not be lost. He recognized that the parties mainly concerned should pool their ideas on the future as quickly as possible.

5. Young's more general but interesting comments† on Indochinese developments will be sent to you by bag. We believe that this would be a particularly appropriate time to put considered Canadian views on future moves in Vietnam to the State Department. At a time

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[8] Voir/See France, Ministère des Affaires étrangères, *Documents Diplomatiques Français, 1956 Tome I*, Paris: Imprimerie Nationale, 1988, document 42, pp. 77 à 78.

when reconsideration is being given to United States policy in Vietnam, we can expect Canadian views to have the greatest impact.

A.D.P. HEENEY

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613. DEA/50052-A-40

Le sous-secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Under-Secretary of State for External Affairs
to Ambassador in United States

DESPATCH 148 Ottawa, February 10, 1956

CONFIDENTIAL
Reference: Our telegram No. Y-229, February 7, 1956.

INDOCHINA

We are enclosing copies of the memoranda on the Future of the Commissions in Indochina which were prepared as departmental papers in connection with the visit earlier this week of the United Kingdom ministers. Copies of these memoranda were made available to United Kingdom officials, and have been passed to the Australian and New Zealand representatives here. You may make copies available to the State Department, and we will pass a copy to the American Embassy here.

2. You will note that these papers were prepared in relation to the three countries individually. It will readily be apparent, however, that certain of the considerations mentioned in relation to the separate Commissions apply with equal force to the Indochina picture when viewed as a whole. Although for the most part we like to deal with the problems of each country separately — and there is a sound basis for this approach — it is, we believe, desirable to keep an eye on the broader view, not merely because the Communists and the Indians tend to regard the Geneva settlement as an integrated whole, but to ensure that there is a uniformity and common purpose to Western policy in Indochina and to ensure that particular and local problems in each of the Indochinese states are dealt with not just in particular and local terms but also as part of a more comprehensive problem.

3. The axiom that peace is indivisible applies with particular force to Indochina when viewed as a whole. There is no question that if serious hostilities were to break out in one country they would soon boil over into the other two, or at least jeopardize the situation in the others to the extent that they would have to be regarded as likely theatres of war. This interrelationship also applies to situations short of war. It would, for instance, be quite impossible to accept the risks of a complete breakdown of the Geneva settlement in Vietnam with nothing left but an armed frontier at the seventeenth parallel uninsured by any mutually accepted armistice arrangements, and still hope to maintain an armistice agreement in Laos and to work towards the restoration of the Royal Government's administration in the two northern provinces by peaceful means. If there is to be an agreed armistice in one country it is necessary to plan for the same in the other and to take the steps necessary to keep an agreed armistice in existence.

4. In addition to serving as shock-absorbers between the two sides in a local sense in Laos and Vietnam (and to some extent between Cambodia and the Vietminh) the International Commissions undoubtedly have a value as a present and living representation of the

agreements reached in Geneva in 1954. In the past year and a half, in spite of the difficulties encountered, the shortfalls on performance and the gradual evaporation of any prospect that ever existed of a lasting political settlement, the great powers committed to the Geneva settlement — the USSR and Communist China on the one hand and, on the other, the United Kingdom, France and the United States (so far as their declaration goes) — have benefitted from the existence of the Commission in the sense that they have been insured against blow up in Indochina of the kind that could suddenly produce a major international crisis. The commitment of both the great power blocs to support the Indochina armistices had undoubtedly been rendered somewhat more firm by the presence of the Commissions through the earlier and more sensitive stages of the peace. To what extent the continued existence of the Commissions will contribute to the firmness of this commitment is hard to say, but in assessing the future value of the system of international supervision its contribution in the past in the sense mentioned here should not be overlooked.

5. In addition to the commitment of the Great Powers to the support of the Geneva Settlement, the settlement itself has benefitted by the moral support of neutral Asia, particularly as represented by the participation of India in the key role of chairman in the International Commissions. India's participation in the supervisory task in Indochina has enabled her to play two roles for which she doubtless regards herself as being particularly well fitted — that of presiding over the departure of a European imperial power from Asia and that of mediating between two offshoots of the two great power blocs. Performance of these tasks by India at the request of the Geneva Conference Powers has undoubtedly given new prestige in Southeast Asia to the Indian policy of non-alignment.

6. If, as a result of South Vietnam's refusal to accept responsibilities for maintaining the armistice the Geneva settlement in Vietnam should collapse in the near future, and India is forced to admit the failure of her mission in Indochina, it will be a blow to her prestige which will be keenly resented. We have suggested in paragraph 3(e) of our memorandum on Vietnam the consequences which we believe might follow from Indian withdrawal under these circumstances. We do not believe that the Indians will be rigid in their insistence upon a full assumption of legal successor responsibilities by the South Vietnamese. If there are no indications that the Diem Government and its western backers are willing to make a real effort to make the armistice settlement work, the attitude which the Indians have adopted in the Fourth and Fifth Interim reports[9] and the views they have expressed to us on other occasions suggest that they will feel compelled to consider withdrawal from the Vietnam Commission, a step which clearly they would prefer to avoid.

7. For these reasons we believe it is important for the SEATO countries to consider the desirability of following policies in Indochina which will enable India to maintain her constructive interest in contributing to the maintenance of the peace in Indochina. This need not involve the indefinite maintenance of the whole Geneva structure or the indefinite continuation of the system of international supervision in its present form; but it will

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[9] Pour les Quatrième et Cinquième rapports intérimaires, voir United Kingdom, Parliamentary Papers, Cmd. 9654, *Fourth Interim Report of the International Commission for Supervision and Control in Viet-Nam, 11 April, to 10 August, 1955*, London: Her Majesty's Stationery Office, 1955, and Cmd. 9706, *Fifth Interim Report of the International Commission for Supervision and Control in Viet-Nam, 11 August, to 10 December, 1955*, London: Her Majesty's Stationery Office, 1956.

For the Fourth and Fifth interim reports, see United Kingdom, Parliamentary Papers, Cmd. 9654, *Fourth Interim Report of the International Commission for Supervision and Control in Viet-Nam, 11 April, to 10 August, 1955*, London: Her Majesty's Stationery Office, 1955, and Cmd. 9706, *Fifth Interim Report of the International Commission for Supervision and Control in Viet-Nam, 11 August, to 10 December, 1955*, London: Her Majesty's Stationery Office, 1956.

involve very definite efforts in the immediate future to prevent an early breakdown of the Geneva settlement, particularly in Vietnam.

8. Our telegram under reference and the enclosed memorandum set forth pretty clearly our views as to what the efforts in the immediate future should be — namely the commencement and advancement of the Franco-Vietnamese talks concerning the assumption of responsibilities for the maintenance of the armistice by the Diem Government. We are aware that the United States has been playing down the significance of the South Vietnamese request for the withdrawal of the French Expeditionary Corps and their apprehensions about the consequences of early withdrawal; United States views on this subject need not conflict, however, with our belief that the Vietnamese request should provide an immediate occasion for the resumption of these negotiations. Neither does the early or complete withdrawal of the FEC play a necessary part in the policy we are suggesting. The essential thing is that the negotiations should begin and that there should be some results to show in the very near future, which would enable us to convince the Indians that some movement from the present impasse is on foot. You will recall that in both the Fourth and Fifth interim reports of the Vietnam Commission we have expressed the view that the difficulties arising out of the division of authority and responsibility in South Vietnam can best be solved by negotiations between the French and the Vietnamese. In order to sustain this position we will need to have some results to show.

9. While the assumption of full legal responsibilities under the Cease Fire Agreement by South Vietnam should perhaps be the initial objective to aim at, it is most important that the negotiations should not be permitted to founder on the refusal of the South Vietnamese to assume responsibility for the whole Geneva settlement. We believe that a close look at the responsibilities which now rest on the French High Command will make it possible for the South Vietnamese to single out those residual responsibilities which they would be able to assume in the interests of maintaining the peace without jeopardizing their position on the programme for a political settlement and without accepting responsibility for the original division of the country. It could be made clear in any exchange of Notes that the French assumed responsibility for the conclusion of the Armistice and had full responsibility during the regroupment period. Vietnam would only be assuming future obligations. Conditions for the assumption of responsibility by South Vietnam in respect to the various specific obligations now resting on the French High Command might be negotiated and transferred stage by stage, and the Diem Government could from time to time announce its assumption of certain obligations and functions formerly discharged by the French, if this would be easier for Diem. The final stages of the negotiation, involving the actual dissolution of the French High Command, will certainly present very serious difficulties, but these should not be permitted to deter the negotiators from commencing their task and getting through the easier stages first.

10. Even the final dissolution of the French High Command need not, in our view, involve the withdrawal of all French Forces. We see no reason why a French military mission should not remain in Vietnam for some time to complete certain tasks unrelated to the Cease Fire Agreement (such as the training of the South Vietnamese Army and the orderly turnover of US military equipment in South Vietnam) as well as the tidying up of certain residual tasks under the Cease Fire Agreement which the South Vietnamese might be unwilling to assume (e.g. prisoners of war). However, in our view a military mission is a very different type of legal entity than a High Command (even with relatively few troops left) and we think that it would compound the present anomaly if the High Command was dissolved and went through the form of passing its functions to a military mission.

11. The United States can, of course, make an invaluable contribution to the progress of these negotiations through consultations with Diem on the broad principles involved and with the French on detailed aspects of the negotiations. In their approach to Diem the Americans might with profit endeavour to channel the forces of Vietnamese nationalism represented by Diem in the direction of the assumption of responsibilities for maintaining of the truce with the idea that this would be, in a sense, the achievement of full national and independent status by the Republic of Vietnam. Continuation of the present anomalous arrangements in Vietnam, whereby the French continue to try to meet international obligations which affect the security of Vietnam, means in effect the continuation of South Vietnam's colonial status where Frenchmen speak for Vietnamese instead of the Vietnamese speaking for themselves. No one will be convinced that the Republic of Vietnam has achieved fully independent national status so long as the handling of her most important external problem — the maintenance of the armistice — is left in the hands of the former colonial power. Assumption of responsibilities for the maintenance of the armistice need not involve the assumption of responsibility for the whole Geneva settlement (though the more of it that is assumed the more stable South Vietnam's international position is likely to be). None of the governments concerned with the Geneva settlement can accept for long the refusal of the South Vietnamese to accept any responsibility for the maintenance of the armistice, but if there is a demonstrated willingness on the part of the South Vietnamese formally to accept responsibilities for the more important features of the armistice, there will be a greater disposition to forgive the refusal to accept some of the less important provisions.

12. We have been favourably impressed by the more forthcoming attitude which Foreign Minister Mau has recently been adopting towards the Commission — particularly his willingness to talk with it directly about matters arising out of the Cease Fire Agreement and his undertaking to find out the reasons for some of the delays in replies to Commission enquiries. Having gone this far the South Vietnamese should be able to extend the area of their cooperation and practical responsibility without jeopardizing their position on the political settlement. If full practical cooperation with the Commission is combined with real progress in the Franco-Vietnamese discussions we are hopeful that it may be possible to prevent an early breakdown of the settlement in Vietnam on the issue of the division of authority and responsibility in South Vietnam.

13. We believe that it is most important that any discussions which the Americans have with Diem concerning the assumption of responsibilities for the maintenance of the armistice should be kept quite separate and distinct from the political settlement problem. We think that the confusion of these two issues in the past may have contributed somewhat to the obduracy of the South Vietnamese in refusing to contemplate the assumption of responsibilities under the Cease Fire agreement. We also believe it is important that representations to Diem on this subject should be made far enough in advance of the elections so that he will be able to adopt a policy of assuming responsibilities for the armistice before the situation becomes further confused by a politically inexperienced assembly. There is a good enough case to be made in nationalistic terms for the assumption of responsibilities for the armistice by South Vietnam from the French for Diem to be able to promote it with some confidence in a nationalistically minded Assembly.

14. In making their approach to Diem the Americans will no doubt give due emphasis of the value of South Vietnam's assuming responsibilities for the armistice settlement in terms of South Vietnam's own security. It could be pointed out to Diem that the whole complex of commitments binding not only the parties to the Cease Fire but the supporting powers as well — Communist China, the USSR, the United Kingdom and the United

States — form a guarantee of South Vietnam's security which depends on the validity and workability of the cease fire arrangements themselves, and that this structure cannot be held together and the security to South Vietnam which it provides cannot be maintained unless South Vietnam assumes commitments not merely to maintain an armistice in the sense of an absence of hostilities but to maintain and operate certain specific armistice arrangements.

15. We suggest that in passing the attached memoranda to the State Department you convey to them the views and suggestions which we have outlined above. We are encouraged by the contents of your telegram No. 243 of February 9 to hope that these views will have a favourable reception, and that the State Department will not delay in taking these matters up with the Diem Government.

[J. LÉGER]

[PIÈCE JOINTE 1/ENCLOSURE 1]

Note

Memorandum

CONFIDENTIAL [Ottawa], February 3, 1956

THE FUTURE OF THE INTERNATIONAL SUPERVISORY COMMISSIONS IN INDOCHINA

VIETNAM

In the Fourth and Fifth Interim Reports of the Vietnam Commission and on other occasions the Indians have expressed their conviction that the Vietnam Commission cannot carry on beyond July 1956 (if that long) under existing arrangements. If there is no constructive response at all to the appeals which the Indians have made to the Co-Chairmen for resolution of the current difficulties, there is a strong indication that the Indians will be disposed to withdraw their delegation some time this year and thus force the dissolution of the International Commission.

2. Apart from its general function as a shock-absorber between the two sides and as an agency for keeping temperatures down, the Commission's principal continuing tasks of supervision relate to:

(a) demarcation line and the demilitarized zone;

(b) ban on the introduction of troops and war materials;

(c) ban on establishment of foreign military bases or adherence to military alliances;

(d) complaints alleging violations of Article 14(c) (democratic freedoms);

(e) residual cases of prisoners of war, civilian internees and refugees (freedom of movement).

3. Despite the frustrations involved in carrying out these supervisory functions and the doubtful effectiveness of some of these provisions and despite the Canadian desire to be relieved of the assignment in Vietnam, the prospect of the withdrawal of the Commission in the manner indicated in Paragraph 1 above should not be lightly accepted by the major governments concerned without a searching look at the possible consequences, which are estimated to be as follows:

(a) *Increased Tensions Owing to Uncertainty Regarding the Continuing Implementation of the Armistice.* Although withdrawal of the Commission should not affect the continuing legal obligations of the parties to abide by the terms of the Cease-Fire Agreement, it would have an unsettling effect on both sides. Without the prodding of the ISC, implementation of the less important clauses of the agreement almost certainly would cease, and each side would be led to wonder how many of the remaining provisions of the armistice the other side would continue to honour. This uncertainty would be compounded if South Vietnam had accepted no responsibilities for maintaining the armistice and if the French Expeditionary Corps had been almost entirely withdrawn.

(b) *Danger on the Demarcation Line.* While the Commission can prevent incidents in this area only to a limited degree, withdrawal of the Commission and the consequent increase in tensions would certainly lead to more incidents, and eventually to the moving of troops into the demilitarized zone. The danger of clashes between forces whose governments have no channel of direct communication would then be acute.

(c) *Increased DR aggressiveness.* With international supervision withdrawn and with the South Vietnamese Government uncommitted to the armistice terms, the Vietminh would no longer have grounds for confidence that the South would comply fully with those provisions of the armistice to which it attaches most importance — the ban on the introduction of war materials and fresh troops and the ban on the establishment of military bases and participation in military alliances. The Vietminh would furthermore calculate with some justice that its prospects of getting delivery on the programme for a political settlement would be much dimmer after the ISC had withdrawn. These developments would greatly reduce the stake which the Vietminh now has in the armistice settlement, and would largely eliminate the Vietminh's chief motives for good behaviour. In these circumstances — and with no ISC to deter them even in a limited way — the Vietminh could be expected to undertake an all-out campaign of subversion against the Diem Government.

(d) *Increased Involvement of SEATO.* In view of the general uncertainty about the stability of the armistice and because of a more aggressive attitude on the part of the Vietminh, the Diem Government might feel compelled after the Commission's withdrawal to rely more and more on United States and SEATO support and even to seek more military assistance from them. In any event the SEATO powers, which under the conditions of a comparatively stable armistice have been able to work out their basic organization on a modest scale and in a comparatively unobtrusive way, might find themselves — in view of the increased tensions — obliged to consider much more extensive and explicit military commitments with respect to Vietnam than hitherto. Any apparent increase in SEATO activities in South Vietnam (e.g. enlargement of the US military assistance mission) would probably lead to charges by the Vietminh that the United States was breaking its pledge not to disturb the armistice by the use of force or the threat of force. Both the Vietminh and the Chinese Communists in these circumstances might take precautionary counter-measures which would contribute further to tensions in the area.

(e) *Offence to India.* Since India's policies of mediation have been on trial in Indochina and since, as chairman, she has had a key part to play in the Commission, success of the Geneva settlement has a prestige value for India, and there is a danger that she may feel snubbed by the lack of Western response to her efforts to preserve the essence of the Geneva settlement. If the Indians are compelled to withdraw because their warnings go unheeded, it is quite possible that in doing so they would blame not only the Diem Government but its Western supporters as well. This could have a serious effect on India's relations with the West and particularly with the United Kingdom — both as a Co-Chairman power and as a member of SEATO. Indian resentment might well find expression in determined efforts to undermine SEATO just at a time when SEATO would need greater strength and more sympathetic understanding on the part of the uncommitted countries of

Southeast Asia. The position of the West in Southeast Asia has hitherto been based on a combination and blending of the SEATO "hold-the-line" concept and the deterrent moral influence of the Five Principles.[10] It is for consideration whether a rebuff to India over the Vietnam settlement might not mean that the position of the West would have to be based on the SEATO idea alone working against an increasingly unfriendly form of neutralism.

4. The foregoing prognostications are based on the assumption that the Commission is forced to withdraw because the Western powers make an insufficient effort to keep the Geneva settlement working or to bring some alternative arrangement into being. On the other hand there are liabilities for the West in the continued working of the Commission which should also be taken into account:

(a) The Commission's supervision of the import of war materials is undoubtedly far more effective in the South than in the North, and hence benefits the Vietminh more than South Vietnam.

(b) The difficulties which the Commission has in the South arising out of the refusal of the Diem Government to accept legal responsibilities under the Cease-Fire Agreement and the Commission's handling of Article 14(c) concerning democratic freedom provide the Vietminh with a wealth of raw material for propaganda attacks on the South.

(c) Polish members of Commission teams in the South and Vietminh liaison officers can facilitate the gathering of intelligence and can maintain contacts with Vietminh agents in the South.

(d) A significant number of Canadian personnel are tied up doing work of little immediate constructive value, which at the same time puts undesirable stresses on Indian-Canadian relations.

5. In view of these considerations the planning of western policy in Vietnam, if not directed towards ensuring the survival of the International Commission, should be designed at least to avoid the worst consequences of the Commission's sudden withdrawal in the absence of other measures to shore up the Vietnam armistice — particularly a rapid build-up of tensions in the area and the withdrawal of India in an embittered mood.

6. In view of the many imponderables in the situation it is not possible at this stage to formulate policy objectives in terms of the sort of régime which might best replace the Geneva settlement. The governments concerned must consider now, however, whether to make an effort to keep the Geneva settlement working on the theory that even if this effort is unsuccessful, the advances made will at least make possible a transition to an armistice with some degree of stability, or whether to accept the risks outlined above and let the Geneva structure break down in the very near future from the flaws which are now in it.

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[10] Les Cinq principes (respect mutuel de l'intégrité et de la souveraineté territoriales, non-agression, non-ingérence dans les affaires internes l'un de l'autre, égalité et avantage mutuel, et coexistence pacifique) avaient été convenus entre le premier ministre de l'Inde Nehru et le premier ministre de la Chine Chou En-lai le 28 juin 1954. Ils avaient aussi été adoptés lors de pourparlers tenus le lendemain entre le premier ministre Chou En-lai et le premier ministre de Birmanie, U Nu. Voir *Documents on International Affairs, 1954*, London: Royal Institute of International Affairs - Oxford University Press, 1957, pp. 313 à 314.

The Five Principles (mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence) were agreed between Indian Prime Minister Nehru and Chinese Prime Minister Chou En-lai on 28 June, 1954. They were also adopted in talks the following day between Prime Minister Chou En-lai and Burmese Prime Minister U Nu. See *Documents on International Affairs, 1954*, London: Royal Institute of International Affairs - Oxford University Press, 1957, pp. 313-314.

7. If the former course is to be attempted, the first desideratum is to get the South Vietnamese Government to accept some responsibility for the maintenance of the armistice. This is a rudimentary requirement for the continued functioning of the International Commission even for a relatively short period, but more important still it is essential as the basis for any workable armistice arrangement which might survive the failure to maintain the broad Geneva settlement. The recent request of the South Vietnamese Government that the remainder of the French Expeditionary Corps be withdrawn from Vietnam opens the door for early consideration of this question. If a premature breakdown of the Geneva settlement in Vietnam is to be avoided, it is important that Franco-Vietnamese negotiations be brought to fruition within a reasonable time, and that the Indians be kept aware of their progress.

8. As to the substance of the negotiations — if, as seems likely the Vietnamese Government continues to refuse to take over the legal responsibilities of the French High Command under the Cease-Fire Agreement, it should be possible for the French and Vietnamese to work out an exchange of notes in which the Vietnamese would undertake to do virtually all the things which the French are obliged to do under the Cease-Fire Agreement, without actually assuming obligations as the legal successor to the French High Command under the Cease-Fire Agreement. The more important continuing responsibilities are:

(a) respect for the demarcation line and keeping troops out of demilitarized zone;

(b) restriction on the entry of foreign military personnel;

(c) restriction on the entry of war materials;

(d) restriction on the establishment of new bases;

(e) restriction on foreign military bases and participation in military alliances;

(f) participation in the Joint Commission and liaison with the International Commission.

The Vietnamese could presumably accept (a) without difficulty. With respect to items (b), (c), (d) and (e) they would presumably have to qualify their acceptance with some escape clause which would ensure that they were not making a unilateral commitment which would continue to apply no matter what happened to the Geneva settlement. The practical difficulties implicit in (f) are very considerable but should not be insuperable if both the French and the Vietnamese determine to make the Joint Commission work, which appears to be of special importance in the adjustment of the disputes in the demilitarized zone. (It might even be possible, for instance, for the South Vietnamese Government to keep some French military personnel for purposes of maintaining liaison with the PAVN through the Joint Commission). Liaison with the International Commission should present no special problem, since the Vietnamese are already dealing with it at the top level on a practical basis.

9. Acceptance of responsibilities by the South Vietnamese along the lines suggested above, while falling short of the assumption of full legal responsibilities under the Cease-Fire Agreement would provide a practical basis for keeping the agreement working. Certainly it should make the Canadian task of counselling patience in the Commission much easier, and should go some distance towards ensuring that the Indians will not withdraw precipitately and in anger from their mediatory role.

10. If the long term threat to the Geneva settlement posed by the unfulfilled political settlement can be held off until the short-term threat involved in the lack of an effectively responsible party in the South is disposed of, the possibility of ending up with an armistice with a reasonable degree of stability to it and one which may command some degree of Indian support will be that much better. This means that the Chinese Communist proposals

for a reconvening of the Geneva Conference should be resisted, since such a meeting would certainly bring out into the open the basic incompatibility of the Vietminh and South Vietnam on the political settlement issue. Turning aside the Chinese proposals may be difficult if, as seems likely, the Indians support them. If the Polish idea that the three Commission powers should meet first to draft amendments to the Cease-Fire Agreement and to the programme for a political settlement is put to the Canadian Government directly, the Canadian position would probably be that in the Canadian view it would be neither appropriate nor helpful for the Commission powers to discuss these subjects in the absence of the parties directly concerned.

11. If the South Vietnamese will assume some practical responsibilities for maintaining the armistice there should be a more relaxed atmosphere in which to explore the prospects for a more permanent régime. Under such circumstances the United Kingdom and the United States might consider the possibility of its making some gestures to keep alive the idea of a political settlement, as a means of keeping the Vietminh "on the hook" and of retaining continued Indian moral support for the maintenance of the armistice.

12. The assumption of commitments by South Vietnam along the lines suggested in paragraph 8 above might also provide a basis for reducing and even virtually eliminating, if desired, the Commission's work under Article 14(c) and the residual tasks in relation to prisoners of war, civilian internees and freedom of movement, thus making possible some reduction in Commission activities and personnel.

13. It is quite possible that the admittedly anomalous arrangement whereby the South Vietnamese would assume obligations for maintaining the armistice outside the framework of the Cease-Fire Agreement would not permit the Geneva structure to hold together for long, although the length of time would depend partly upon how far the South Vietnamese would be prepared to go towards keeping alive the idea of a political settlement. If and when it developed that the Cease-Fire settlement could not keep functioning under this anomalous arrangement, the Commission might then be able to withdraw without the same fear of consequences of the kind outlined in paragraph 3 above. In these circumstances the Diem Government might be able to turn the situation to advantage by declaring its willingness to honour the undertakings suggested in paragraph 8 above on the condition that the Vietminh would assume similar obligations. There would, in other words, be the makings of a stable armistice.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Note

Memorandum

CONFIDENTIAL [Ottawa], February 3, 1956

THE FUTURE OF THE INTERNATIONAL SUPERVISORY COMMISSIONS IN INDOCHINA

LAOS

The future of the International Supervisory Commission for Laos is tied up with the future of the Vietnam Commission. Up to now there has been little actual discussion within the Laos Commission concerning a possible date for termination of its activities. It is reasonable to assume that the political settlement mentioned in Article 14 of the Geneva

Agreement for Laos will be resisted by the Communists until some form of settlement acceptable to the Communists is reached in Vietnam.

2. The Commission's principal continuing tasks of supervision in Laos are to observe the Cease Fire Agreement in order to keep to a minimum the sporadic hostilities now taking place between the Royal Government forces and the Pathet Lao, to control the rotation of personnel and supplies to the French security forces in Laos permitted by the Agreement, to control the introduction of military personnel and war material, to ensure that no new military bases are established in Laos, and to deal with complaints alleging violations of Article 15 (democratic freedoms).

Attitude of the Royal Laotian Government

3. The Commission's role in Laos has, and can probably continue to have, more beneficial effects for the RLG than its sister Commissions in Cambodia and Vietnam have for the Sihanouk and Diem governments. The Royal Government benefits:

(a) From the presence of the commission teams in the two northern provinces of Phongsaly and Samneua which undoubtedly deters the Vietminh from openly assisting the Pathet Lao. Although the Pathet Lao and the Poles have largely managed to frustrate the teams in their efforts to exercise effective supervision, their continued presence has restricted the Vietminh to under cover assistance.

(b) The Commission has lent, and can continue to lend, moral support to the Royal Government in its claims for re-establishment of its authority throughout the entire kingdom. The passing by the Commission of its resolution of January 7, which recognizes the right of the Royal Government to the administration of the two northern provinces and recommends that this be implemented, is an example of this kind of moral backing.

4. In spite of these benefits the Royal Government is showing a growing impatience with the Commission because of the latter's failure to assist them effectively in what they rightfully consider to be the aim of the Geneva settlement which is the unification of all Laos under a central government. The recent victory at the polls of the Katay government; the admission of Laos to the United Nations, and the declaration by the SEATO powers guaranteeing the frontiers of Laos have all tended to bolster the ego of the government and diminish their awareness of the benefits of having the Commission in their country. There is a danger therefore that, in spite of the fact that the United States continues to counsel moderation, the RLG may attempt something rash on the military side. If they do this it would be an indication that they have decided to place their reliance on SEATO and the United Nations rather than on the Commission. The dangers inherent in this action by the RLG are manifold:

(a) Increased military action would probably result in increased and more open aid to the Pathet Lao by the Vietminh and could lead to the involvement of SEATO. The Royal Government would probably not be able to achieve its desires by military action without outside help especially if the Pathet Lao receive increased support from the Vietminh.

(b) The benefits which the Royal Government derive from the Commission's presence would largely disappear especially as the Indians would be very intolerant of any move by the RLG on the military side.

(c) Increased Communist subversion and infiltration might weaken the RLG internally.

Indian Attitude

5. While the Indians generally concede that the claims of the Royal Government are just, they are hesitant to foster any action by the Commission which might antagonize the Communists and increase the dangers of the latter renewing hostilities. The Indians tend to look

at the problem of Indochina as a whole and there is some indication that they would be willing to accept, although somewhat reluctantly, a partition of Laos as the best way out as long as the Vietnam problem is unresolved. There is evidence that Indian thinking has been tempered lately by their realization that their policy of not wishing to offend Communists has resulted in an increasing mistrust of Indian intentions on the part of the Royal Government and that this in turn has lead to a danger that the RLG and not the Communists might initiate a renewal of hostilities. It may be because of this realization that the Indians finally supported the January 7 resolution. Their firm stand on the demarcation line issue, however, indicates that their main concern still continues to be a separation of the forces in order to avoid hostilities. While we have had no really clear indication of Indian thinking concerning the possible termination of the Commission in Laos, the Commissioner there has indicated that he would favour:

(a) A meeting of the three Commission powers to try to work out a new basis for either the continuation or cessation of the Commission's activities in the three Indochina states.

(b) A meeting of the Geneva powers, possibly some time after April, to consider these recommendations.

(c) A reference to the Co-Chairman concerning the immediate problems facing the Commission.

We have no information as to whether this reflects the thinking in New Delhi but it is in line with views expressed by the Commissioner in Vietnam.

6. If remedial measures in Vietnam are not taken to present the breakdown of the Geneva arrangements and the early withdrawal of the Commission, there could be serious repercussions in Laos, particularly if the Indians were to withdraw from their supervisory role in Vietnam in disgust. The Communists and the Indians alike regard the Geneva settlement for all three countries as an integrated whole, and withdrawal of the Indian delegation from Vietnam might make it very difficult to retain their continued cooperation in maintaining the Commission's position in Laos.

7. In considering the future of the Commission in Laos we should keep in mind that:

(a) The future of the Commission is closely tied up to the future of the Commission in Vietnam.

(b) The presence of the Commission is more beneficial to the Royal Government than to the Communists.

(c) The remaining tasks of the Commission are perhaps greater than in the other two states.

8. Until the situation in Vietnam clears a move towards termination of the Commission's activities in Laos would seem unwise. In addition, the Western Powers might usefully continue to exert their influence on the Royal Government to persuade them to accept the present situation as the best possible one at the moment. Pressure on the Indians to push the January 7 resolution on a political settlement is also desirable.

[PIÈCE JOINTE 3/ENCLOSURE 3]

Note

Memorandum

CONFIDENTIAL [Ottawa], February 3, 1956

THE FUTURE OF THE INTERNATIONAL SUPERVISORY COMMISSIONS IN INDOCHINA

CAMBODIA

With the conclusion of the elections in Cambodia held on September 11, 1955, the major part of the work of the International Commission came to an end.

2. During the remaining period of its work in Cambodia, the Commission's principal continuing tasks of supervision relate to:

(a) Foreign military bases and military alliances and the entry of military personnel and war materials (Article 7).

(b) Residual cases involving democratic freedoms.

3. In continuation of the programme of reduction already under way, the Indians and Canadians have agreed that the two remaining teams in the field should, if possible, be eliminated by the end of March or the first week of April, but the Polish attitude is that the reduction of these two remaining out-station teams should only be discussed at that time.

4. General agreement has been reached between the Indian and Canadian delegations that these reductions should lead to an eventual wind-up of the Commission's activities. The Indian Commissioner has envisaged a withdrawal of the Commission on July 1. The Canadian Commissioner has agreed to recommend that the question of whether or not the Commission should be wound up this Summer should be considered in April. The Poles, on the other hand, do not wish to even consider the winding up of the Commission until the first week of July 1956.

5. Withdrawal of the Commission must be considered in the light of Article 7 of the Cease-Fire Agreement, which consists of the text of the Cambodian Government's declaration of July 20, 1954 concerning foreign bases and the solicitation of foreign aid in war materials, personnel and instructors. The application of this latter part of the declaration was to apply only "during the period which will elapse between the date of the cessation of hostilities and that of the final settlement of political problems in that country". While the presumptive date for the final political settlement in Vietnam was July 1956 or shortly thereafter, it seems clear that the Cambodian Government's undertakings will continue to apply after that date and as long as the political settlement in Vietnam along the lines suggested in the Final Declaration remains a generally recognized objective of the Geneva Settlement. It will not, therefore be possible for the Cambodian Commission to withdraw on the grounds that the Cambodian Government's obligations under Article 7 of the Cease-Fire Agreement cease to apply from July 1956. The case for withdrawal will have to be argued on practical grounds and the Cambodian Government's continuing obligations under its unilateral declaration will have to be recognized.

6. Although the Canadian Commission has the general support of the Indian chairman for seeking to achieve the complete withdrawal of the Commission this Summer, strong Polish opposition may be expected and it may not be possible for the Commission to reach unanimous agreement on the winding up of its activities. It is desirable, however, that the demise of the Cambodian Commission should be arranged in accordance with the provi-

sions of the Cease-Fire Agreement concerning reductions of Commission activities, and the efforts of the Poles to make this impossible under the unanimity rule will have to be circumvented.

7. It may eventually become necessary, therefore, to explore other means of terminating the Commission's work in Cambodia by an initiative taken by:

(a) a recommendation from the Co-Chairmen, or,

(b) unilateral action by the Cambodian Government.

8. The Canadian desire to end the Commission in Cambodia now that its work is actually completed, should if possible be met without affecting the futures of the other two Commissions. The process should be as painless as possible. If the dislocation cannot be achieved without undesirable results consideration may have to be given to prolongation of the life of the Commission in Cambodia until such time as the more important decisions are reached about the futures of the Vietnam and Laos Commissions. Every effort however must be made to avoid this prolongation.

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614. DEA/50052-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM Y-294 Ottawa, February 15, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your telegram No. 259 of February 14.†

FUTURE OF THE COMMISSIONS IN INDOCHINA

The papers enclosed with our despatch No. 148 may be described as departmental papers which have been approved by the Minister. The views therein could be described as relatively firm. The papers were not intended as formal expression of Government views and they have not been submitted to Cabinet for this purpose.

2. We would like you to "make representations" with respect to a United States approach to Diem and any parallel discussions with the French which will assist in promoting those aspects of the Franco-Vietnamese negotiations relating to the assumption of responsibilities by the South Vietnamese Government to maintain the armistice. Much of the remaining content of our memoranda and despatch concerning our assessment of the consequences of a premature breakdown of the Geneva settlement would come under the heading of conveying views.

3. We would indeed like to have some United States response to the views expressed. When inviting an expression of United States views, however, you should indicate clearly that we would not welcome a description of the difficulties which the State Department may anticipate in making an approach to Diem along the lines we have suggested. We are aware of these difficulties and have taken them into account in formulating our suggestions. If exhaustion of Indian patience with the present situation is to be avoided and if the realities of the situation in Vietnam are to be grappled with we believe that it is essential that Diem should be resolutely tackled by both the United States and the United Kingdom. The expected difficulties of the task should not prevent it from being undertaken.

4. While we prefer to deal with the day to day work of the Commissions as the discharge of a responsibility in some degree distinct from our close ties with the Free World, this consideration does not apply to the present situation. The broader implications of the question of the future of the Commissions are of concern to the United States not simply as one of the participants in the Geneva Conference but as the leading SEATO power with vital interests in the future course of developments in Southeast Asia. In these respects it is important to us to know United States views on these matters.

5. We have been encouraged by the United Kingdom response to our views on Vietnam and by their willingness to take some positive action along the lines we have suggested. We have also been encouraged by the preliminary reaction of the State Department to Graves' report of our talks in Ottawa. We are most anxious, therefore, to drive home the advantage gained, and we hope you will be able to take this matter up at a suitably high level in the State Department and impress upon the officials concerned the importance we attach to the démarche to the South Vietnamese and the French which we hope both the United States and the United Kingdom will make.

6. We trust that our despatch No. 148 has settled the points raised in your telegram No. 253 of February 13.† It might be wise to indicate more explicitly to the State Department our views about the proposal for a meeting of the Commission powers to consider amendments to the Geneva settlement, our reasons for wishing to avoid participation in any meeting where the political settlement would be discussed and our desire to see any discussions of amendments to the cease-fire agreement carried on within the framework of the Commission under Article 41. (Reference our telegram to you No. Y232 of February 8 and our telegram No. 35 of February 10† to Hanoi referred to you by bag).

[J.] LÉGER

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615. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 294 Washington, February 20, 1956

CONFIDENTIAL

Reference: Your Y294 of Feb 15 (received Feb 17).

FUTURE OF THE COMMISSIONS IN INDOCHINA

We saw Young, the Director of the State Department's Office of Southeast Asian Affairs, on February 18 to leave with him the departmental papers on the future of the Commissions in Indochina which were attached to your despatch Y148 of February 10. We left with him as well an unsigned summary of paras 8 to 14 of your despatch, a copy of which will be forwarded by bag; this summary concerned the scheduled Franco-Vietnamese discussions on the withdrawal of the French Expeditionary Corps.

2. We pointed out that the views in the departmental papers had been approved by the Minister and were relatively firm. We urged that a United States approach should be made to Diem and to the French with a view to assuring a successful outcome of the Franco-Vietnamese discussions insofar as they related to the assumption of responsibilities by the

South Vietnamese Government for the maintenance of the armistice. We conveyed to the State Department your more general views on the broad question of the future of the Commissions which were outlined in paragraphs 2 to 7 of despatch Y148. We indicated that your wished to have some United States response to the Canadian views contained in the material which we gave to the State Department.

3. We thought it wise in the first instance to speak to Young. He holds a fairly senior position in the hierarchy and he is well disposed to us; furthermore, with a full outline of Canadian views in his hands, he is in a position to condition the thinking of his superiors, particularly Walter Robertson, so that any further representations we might decide to make at a higher level might be more effective. We shall use our discretion as to whether further representations should be made to Robertson later this week; he is out of town until the middle of the week at least. The experience of the British Embassy as well had some influence on our decision. As you know from other correspondence, the first United Kingdom approach to Robertson did not yield much in the way of positive results. A further United Kingdom approach (that foreshadowed in paragraph 2 of London's telegram 160 of February 16†) was made to Young on February 17.

4. Young expressed the State Department's gratitude for such a full expression of Canadian views. He said he would not attempt to comment on the substance of these views immediately but would attempt to give us some State Department reaction later this week. At our meeting he made only three points:

(a) he described the exchanges on the same subject with the United Kingdom;

(b) he indicated that the State Department was giving urgent consideration to the problems raised in our papers; and

(c) he expressed the State Department's keen interest in continued exchanges of views with interested governments.

5. There was nothing new in what Young had to say concerning US-UK discussions. He indicated, however, that the State Department had been somewhat surprised at the "more urgent nature" of United Kingdom views after the Ottawa meetings when at the Washington meetings the United Kingdom representatives had apparently agreed that representations to Diem could wait upon Dulles' visit to Saigon in early March.

6. So far as the State Department's action was concerned, Young emphasized the United States recognition that a real problem existed in the matter of the scheduled Franco-Vietnamese discussions; nor was the State Department blind to the need for consideration of the longer-term problem of the future of the Commissions in Indochina. Interested officials were examining these two aspects of the problem as matters of urgency. Their object was two-fold:

(a) to preserve insofar as possible the freedom of free Vietnam to work out its own destinies; and

(b) to maximize the concerted efforts of interested governments in the free world alliance to maintain the peace in Southeast Asia. In the circumstances it seemed highly desirable that Diem should be more forthcoming than perhaps he had been in assuming responsibilities for the Commission; on the other hand, it was simply not possible to "lay down the law" to Diem. It seemed essential that any immediate United States representations which might be made not court outright rejection by Diem for undoubtedly there would be need in succeeding months for additional representations to Diem.

7. Young said finally that the State Department needed and would welcome the advice of all interested governments as to the best course which could be pursued with respect to South Vietnam. For that reason the outline of Canadian thinking which we had made avail-

able to the State Department was most timely. Young went on then to request a further expression of Canadian views along the lines dealt with in our telegram 290 of February 20.[11]

[A.D.P.] HEENEY

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616. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Inde

Secretary of State for External Affairs
to High Commissioner in India

TELEGRAM Y-147 Ottawa, February 20, 1956

CONFIDENTIAL. IMPORTANT.

Reference: Our telegram No. Y-111.

Repeat London Y-280; Washington Y-315; Paris Y-170; Hanoi Y-48; Saigon Y-34.

VIETNAM

I would be grateful if you would take an early opportunity to communicate to the Indians the following as our considered views on the obstacles to the proper implementation of the Geneva Agreements in Vietnam.

(1) We believe that in considering the course of action that should be pursued to improve the implementation of the Agreements in Vietnam, it is most important that the governments concerned should not lose sight of the fact that it is vital to ensure the maintenance of an armistice arrangement, and that every proposal should be tested first by an assessment of the effect which it will have on the maintenance of the cease fire. An agreed armistice arrangement of the kind we now have in the Cease Fire Agreement is an essential pre-requisite for the maintenance of peace in Vietnam, and only under conditions of a stable peace can any progress towards a political settlement be made. Any proposals for modifications or adjustments to the present armistice framework will therefore have to be considered with the greatest care to ensure that the present structure does not collapse.

(2) We agree with the Indian view that a modified Cease Fire Agreement and a redefinition of the International Commission's remaining responsibilities are desirable. Our own appreciation of the position of the South Vietnamese Government leads us to the conclusion, however, that it will be necessary for the Commission Governments to exercise considerable patience in getting these adjustments. It seems to us, furthermore, that before a modified agreement is sought, efforts should be made first to get the South Vietnamese Government to accept a greater degree of responsibility for the basic provisions of the present Cease Fire Agreement. If the South Vietnamese can be induced to accept responsi-

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[11] Le département d'État voulait connaître l'avis des Canadiens sur « the internal security situation in South Vietnam, and (b) Communist intentions with respect both to the cease-fire agreement and the political situation settlement in Vietnam. » Washington à Ottawa, télégramme 290, le 20 février 1956, MAE 50052-A-40.

The State Department wanted to have Canadian estimates on "the internal security situation in South Vietnam, and (b) Communist intentions with respect both to the cease-fire agreement and the political situation settlement in Vietnam." Washington to Ottawa, Telegram 290, February 20, 1956, DEA 50052-A-40.

bilities of this kind and can gain confidence from the discharge of these responsibilities, the prospect of their considering modifications in the present agreement will in our view be enhanced.

(3) We differ from the Indians with respect to the best method of inducing the South Vietnamese to accept responsibilities for the maintenance of the armistice. As our delegation has indicated in the Fourth and Fifth Interim Reports of the Vietnam Commission, we are of the opinion that this is a matter for settlement between the French and the South Vietnamese. Now that a new French Government has been installed and now that the South Vietnamese have taken the initiative in requesting the withdrawal of the French Expeditionary Corps, an opportunity for a resumption of Franco-Vietnamese negotiations on military problems has presented itself. We think that within the framework of such negotiations lies the best prospect for getting the South Vietnamese to assume responsibilities for the maintenance of the armistice, and that in these negotiations the French are not wholly without bargaining power.

(4) While negotiations between the French and the South Vietnamese along the lines suggested above cannot produce a modified agreement of the kind envisaged by the Indians, such negotiations in our view present the most encouraging prospect for getting the basic essential of a modified agreement — assumption of responsibility for the maintenance of the armistice by the South Vietnamese. It is clear that the South Vietnamese Government at the present time is prepared to talk about the matter of responsibilities for maintaining the armistice only in connection with the question of the withdrawal of the French Expeditionary Corps.

(5) We are very doubtful about the value at this time of endeavouring to get the South Vietnamese to accept responsibilities for the maintenance of the armistice by exerting further pressure on them through the Commission and the Co-Chairmen. Action by the Co-Chairmen in fact means action by the United Kingdom (since the USSR does not deal directly with the South Vietnamese) and we are sure that the United Kingdom will be able to achieve much more towards inducing the South Vietnamese to accept greater responsibilities by informal efforts to promote the Franco-Vietnamese negotiation than through any formal approaches it might make as a Co-Chairman Power in response to further requests for action by the Commission. We have expressed these views to the United Kingdom and understand they are prepared to intervene with Diem to this end. We have also urged upon the United States the desirability that they do what they can to encourage Diem to accept responsibilities for the maintenance of the armistice. We are hopeful that representations by the United Kingdom and the United States along these lines will be successful in persuading the South Vietnamese that their own interests will be best served by taking over responsibilities for the maintenance of the armistice, and we are convinced that this approach is more likely to succeed with Diem than any other at the present time.

(6) Although the impracticability of elections in July 1956 is now generally recognized, we do not think it would be wise at this particular time to attempt to revise the provisions of Paragraph 7 of the Final Declaration. We would not suggest that Paragraph 7 can be ignored, but simply that the policy objectives stated therein should stand unaltered pending a clarification of the South Vietnamese Government's position on the assumption of responsibilities for the armistice. An attempt to revise nothing more than the date for the elections might at this point push the South Vietnamese into adopting positions which would prejudice the possibility of their assuming obligations for the maintenance of the cease fire.

(7) While we recognize that there is a possibility that failure to provide for a new basis for the political settlement by July might lead the Viet Minh to denounce the Cease Fire Agreement, we consider this unlikely as they would by this action destroy their claim to a political settlement along the lines laid down in the Final Declaration. We fear that there is a more serious danger that failure to resolve the problem of responsibility for the armistice in the South might lead the Viet Minh to inaugurate an all-out war of nerves against the South, which would in turn jeopardize the peace and render even less likely the achievement at a later date of a political settlement.

(8) For the foregoing reasons we believe that a reconvening of the Geneva Conference or indeed any other organized attempt to revise both the political and military provisions of the Geneva settlement in Vietnam at this stage either with or without the participation of the South Vietnamese Government would be self-defeating. A resolute and sustained attempt to clear up the problem of responsibility for maintaining the armistice in the South, if successful, should greatly reduce the difficulties now facing the Commission and provide the basis for a more stable armistice. It may also provide better conditions for considering modifications of the settlement and a redefinition of the commission's responsibilities.

2. For London, Washington and Paris: You may inform the Foreign Office/State Department/Quai d'Orsay of the substance of the foregoing paragraphs.

L.B. PEARSON

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617. DEA/50052-A-40

Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures

High Commissioner in India
to Secretary of State for External Affairs

TELEGRAM 147 New Delhi, February 24, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Our tel 140 Feb 23.†
Repeat Hanoi No. 11.

VIETNAM

When I saw Desai yesterday afternoon he gave me the text of the Indian note to the two Co-Chairmen referred to in my telegram 139 of February 21.† I cabled you the text of the Indian note in my telegram under reference. In return I gave Desai a memorandum dated February 23† based on your telegram Y147 of February 20. I will send you a copy of our memorandum by bag.

2. When I gave Desai our memorandum I suggested that it might possibly be useful for me to discuss Vietnam with Mr. Nehru sometime next week. Desai agreed.

3. Although Desai was in no position to give me his considered views on our memorandum he did state forcibly that he had no confidence in the outcome of renewed France-Vietnamese negotiations. He agreed when I said to him that he seemed to think that the French were the worst possible people to negotiate a settlement with the Vietnamese. He indeed insisted that he was certain from his experience in Vietnam that the only effect of the French negotiation would be to make it more difficult for anyone else to negotiate

successfully after the inevitable failure of the French negotiations. The basis for Desai's certainty that nothing constructive will emerge from the Franco-Vietnamese negotiations is the dislike which the Diem Government has of the French. Desai repeated several times that Diem cannot forget that the French opposed his coming to power.

4. Desai expressed the hope that when we send our comments to the Co-Chairmen we will take into account the Indian views which they expressed in their note to the Co-Chairmen. Specifically Desai hopes I think that we will support the Indian request that the Co-Chairmen meet to discuss the problem. In Desai's view it is only the Co-Chairmen who can bring influence to bear on the Democratic Republic and Diem. They should meet to agree on a common policy. Afterwards the job of the Russians would be to bring pressure to bear on the Democratic Republic and the job of the U.K. would be to bring pressure to bear on Diem.

5. There has to be a bargain between the U.K. and USSR. The USSR will know the limitations of its influence on the Democratic Republic. Thus Desai believes that it would not be enough for the South to accept limited obligations to maintain the armistice since the Democratic Republic would then declare it is no longer bound by the Cease Fire Agreement because of the non-fulfillment of the political settlement.

6. Desai argued that the Democratic Republic must have a "carrot" to keep it sweet. The question for decision was how far away the carrot could be held from the DR's nose. The hope that the situation would not develop into a stalemate with no likelihood of a political settlement emerging might serve as such a carrot. The DR will not agree to an indefinite freezing of the *status quo*, if frozen the less is their chance of getting Vietnam united under their Government.

[ESCOTT] REID

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618. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 328 Washington, February 25, 1956

CONFIDENTIAL. IMPORTANT.

VIETNAM — ENTRY OF UNITED STATES MILITARY PERSONNEL

The British Ambassador and I were asked to see Murphy, Deputy Under-Secretary, today, February 25. Murphy gave us a copy of a State Department note to the French Government[12] which was given to the French Ambassador earlier this morning. The text of that note is included in my immediately following telegram.† In summary the note indicates:

(a) that the United States "sees itself obliged to despatch to Vietnam, subject to Vietnamese agreement and for a temporary period, a small number of additional United

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[12] Voir/See United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume I, Washington D.C.: United States Government Printing Office, 1985, pp. 644-647.

States military technical personnel whose sole function will be to supervise the recovery and maintenance of MDAP equipment in Vietnam" and

(b) that the United States "would appreciate it if the French Government would retain in Vietnam for another year approximately 1000 French military personnel" to assist in the processing of MDAP equipment.

2. Murphy explained that the situation was serious in the State Department's view. Some $700 million worth of United States equipment was involved. Ninety percent of this equipment was in "open storage", i.e., rice paddies in South Vietnam. The United States has maintained title to this equipment even though it was in French custody originally and is presently in Vietnamese custody. The Vietnamese did not have the technical ability to look after it. The rapid rate of French reduction made it apparent that they would no longer be in a position to look after the equipment.

3. Murphy went on to say that the United States found it necessary to send approximately 350 United States military personnel and approximately 1000 Philippines and Japanese civilian technicians to process the turn over of the equipment. It was believed that the job could be done in twelve months with French assistance. These personnel would, of course, be additional to the present United States MAAG. Murphy said that the South Vietnamese Government had not been approached as yet on the matter but the United States Government intended "after a reasonable period of time" to do so. The United States hoped to have some response from the French before an approach was made to the South Vietnamese.

4. Immediately the question was raised as to whether or not the planned United States action would be a violation of Article 16 of the Armistice Agreement for Vietnam. Murphy said that in the United States view it would not. He went on to say that, leaving aside Article 16 (which, of course, did not bind the United States) the United States Government felt it had the right to protect United States property just as it had the right and the duty to protect United States nationals in South Vietnam. Even though the United States was not a signatory to the Geneva Agreement, it had respected the terms of the Agreement; it did not believe that this proposed action violated the spirit of the Armistice Agreement because the main task of the proposed United States Mission would be to remove military potential from the area. The United States had no illusions as to the attitude which the Communists would take in this matter but the situation was such that Communist charges would have to be borne.

5. I referred to the memorandum which we had left with the State Department last November (CF our telegram No. 1953 of November 26) and asked whether the United States would, on a regular basis, meet the Commission requirements decided upon on November 7 (CF paragraph 5 of your telegram Y-1983 of November 23).[13] Murphy said

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[13] À l'automne 1955, la Commission convenait que les pays dépêchant du personnel militaire au Vietnam du Nord ou au Vietnam du Sud à des fins non militaires devaient lui fournir les informations suivantes : le nombre de personnes en question; la date et le point d'entrée; les objectifs visés; ainsi que la date et le point de sortie. La correspondance sur ce sujet, ainsi que le mémoire communiquant cette décision au département d'État figurent dans MAE 50052-40.

In the fall of 1955, the Commission agreed that countries sending military personnel to North or South Vietnam for non-military purposes should provide the Commission with the following information: number of military personnel; date and point of entry; objectives; and date and place of exit. The correspondence on this subject, as well as the memorandum transmitting this decision to the Department of State, is located on DEA 50052-40.

that the United States could not provide such information to the Commission on a regular basis. It was almost administratively impossible and in addition, of course, the United States was not committed to the Geneva Agreement formally. Consideration was being given to notification of the Indian Chairman of the Commission of the United States intention to send in the temporary mission. While no decision had been taken on this point, Murphy thought it likely that this would be done. It would, however, be informal notification and on a one-time basis.

6. In the course of the discussion it became apparent that the United States is determined to protect MDAP equipment; that it does not regard its action as a violation of Article 16; that it does not feel itself bound by Article 16 in any case and that if the issue is forced, it would be prepared to argue publicly against a restrictive definition of Article 16. (Young, Director of the Office of Southeast Asian Affairs, told us after the meeting that, while the United States would hope to avoid the issue, it would be prepared to argue that restrictive implementation of Article 16 in the South could not be equalled in the North with respect to the entrance of material and personnel through the ports or over the Chinese border; the United States would certainly hope to avoid arguing publicly with the Commission on this score but would have no other alternative if the issue were forced).

7. I said that this issue would raise difficulties for us in the Commission but that I would draw the matter to your attention immediately. I said that I was not unsympathetic to United States requirements but that the Canadian attitude would have to be determined in the light of a number of factors including the views of our colleagues on the Commission. Murphy confirmed my understanding that this information was being given to the Canadian Government as such and not to the Canadian Government as a member of the Commission. I asked whether the United States Government wished our comment and Murphy said our comments would be welcomed. I promised to supply those comments as soon as possible.

8. With respect to the specific issue, Makins, the British Ambassador, took much the same line, i.e., that he would seek London's comments as quickly as possible. However, armed with a bulky aide mémoire on the more general topics of the Franco-Vietnamese negotiations, the reconvocation of the Geneva Conference and the future in Vietnam, he re-emphasized United Kingdom concern that something be done to persuade Diem to accept responsibilities for the Armistice Agreement. He characterized the specific United States problem dealt with above as but one element of the broader problem and left the delicate threat that the United Kingdom comments on what Murphy had given him would be prepared in the light of United States response to United Kingdom representations in the broader field. This broader subject will be dealt with in another telegram.†

9. I should be grateful for your early instructions as to what response should be made to the State Department. I realize that we shall have to look at this in the light of our Commission responsibilities. We shall also have to take into consideration the apparent determination of the United States to protect its interests and its willingness if necessary to contest too restrictive an implementation of Article 16.

[A.D.P.] HEENEY

619. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 343 Washington, February 28, 1956

CONFIDENTIAL
Reference: Our 331 of Feb 25/56.†
Repeat London No. 29; Paris No. 12.

VIETNAM: FUTURE DEVELOPMENTS

We asked Young, the Director of the State Department's Office of Southeast Asian Affairs, today, February 28, what United States response was likely to be made to the United Kingdom aide mémoire[14] dealt with in our telegram under reference and to the representations made earlier by ourselves and the United Kingdom concerning Franco-Vietnamese negotiations and South Vietnamese assumption of responsibilities for the armistice.

2. Young said he hoped that a full response could be made to United Kingdom representations by tomorrow or the next day, i.e., prior to his departure with the Secretary for the forthcoming SEATO meeting. A copy of that response will be made available to us. Young indicated that the State Department would probably agree in principle at least with the kind of United Kingdom response to the Soviet note of February 18[15] which had been set out in the United Kingdom draft, the text of which you have. On the broader question of bringing pressure on Diem to assume greater responsibilities for the armistice, Young was somewhat more reticent to express views, since this matter will have to have the attention of Mr. Dulles.

3. Young said that the two basic United States objectives with respect to Indochina were:

(a) the maintenance of "lack of major hostilities" in the area; and

(b) the build-up of a non-communist South Vietnam.

4. Young went on to say, albeit somewhat indirectly, that one course towards these objectives (and he left the strong impression that this was the preferred course in the United States view) was the maintenance of the *status quo* with perhaps a few modifications, i.e., the maintenance of a framework not dissimilar from the present Geneva Agreement framework, but one which would not force either South Vietnam or the United States to formal commitment to the Geneva framework as such. The State Department seems to continue to hope, as we have indicated in other correspondence, that the French can be persuaded to continue to share some responsibilities if South Vietnam will take a more forthcoming attitude in assuming certain specific responsibilities under the Armistice Agreement. The State Department apparently hopes that the French will maintain a military mission in South Vietnam and that one section of that mission would carry out liaison functions with

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[14] Pour une description de l'aide-mémoire britannique, voir *FRUS, 1955-1957*, Volume I, p. 651 note 2.
For a description of the British aide-mémoire, see *FRUS, 1955-57*, Volume I, p. 651 note 2.

[15] Voir/See United Kingdom, Parliamentary Papers, Cmnd. 2834, *Documents relating to British Involvement in the Indo-China Conflict, 1945-1965*, London: Her Majesty's Stationery Office, 1965, pp. 118-120.

the International Commission and the Vietminh. Diem would, however, be expected to have assumed more formal responsibilities (in writing, if necessary) for the security and support of the International Commission and for the administration of the Demilitarized Zone. The State Department does not seem to think it likely that the South Vietnamese would accept the responsibilities with respect to restrictions on the entry of foreign military personnel and war materials, nor for the restrictions on the establishment of bases and participation in military alliances. Young said it was "out of the question" that South Vietnam would be admitted to membership in SEATO in the present circumstances. It might be possible, he thought, to convince the Communists through diplomatic channels that there was no intention to use South Vietnam as a base of operations for offensive action. The United States objective was to bring South Vietnam in practice towards assuming responsibilities for the kind of armistice arrangements which were covered in the Geneva Agreement; it did not believe it could, or would want to, bring South Vietnam to *de jure* acceptance of the Geneva Agreement as such.

5. Young hinted at a second approach, the "root and branch" approach. He was speaking in such circuitous terms that we would not wish to place too great emphasis for the moment on this matter, but thought you should know of his hints. More specific information may come to us on this score. What he seemed to be saying was that if the line of approach outlined above failed because of absolute refusal of either the French or the South Vietnamese to agree to it, there would have to be a fall-back position. He left the impression that this might be an action taken by South Vietnam, declaring the Geneva Agreement a dead letter, stressing South Vietnamese peaceful intentions, not ruling out the possibility of eventual nationwide elections, promising to respect the current ceasefire which existed, and appealing for international (and possibly United Nations) interest. This is not a new idea, for we have reported similar thinking in the State Department before. We get the impression, however, that examination of some such second approach is included in State Department position papers which are being submitted to the Secretary.

6. Finally, mention was made of one further suggestion which had been made by United Kingdom and which, indeed, was included in our departmental paper on Vietnam. Young said that the United Kingdom idea of a unilateral declaration by Diem assuming limited responsibilities for the armistice could, in the State Department's view, be interpreted as a unilateral modification of the Geneva Agreement, and could lead to the necessity of re-examination of the whole subject by the Co-Chairmen, if not by a re-convening of the Geneva Conference. For these reasons, the State Department was not particularly enthusiastic about any formal unilateral declaration by Diem, even though the State Department did not rule out the possibility of Diem assuming in correspondence with the French certain definite undertakings.

7. Our conversation with Young was hasty and not at all points crystal clear. We should probably know more definitely of the fate of some of the ideas included above when the United States response is made to the United Kingdom aide mémoire dealt with in our telegram under reference.

[G.P. DE T.] GLAZEBROOK

620. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM Y-369 Ottawa, February 29, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Your telegram No. 336 of February 27.†

Repeat London Y-326; Paris Y-200; New Delhi Y-173; Hanoi Y-61; Saigon Y-41.

VIETNAM — ENTRY OF UNITED STATES MILITARY PERSONNEL

I would be grateful if you would pass the following preliminary Canadian reactions to the United States proposals on this subject to the State Department, as a matter of urgency, if possible so that copies can be made available to Mr. Dulles and his party before their departure from Washington tomorrow.

2. We are sympathetic to the United States wish to take action to preserve and recover the large quantity of military equipment in Indochina. In our view, however, the methods which they propose to use in order to achieve these ends would have unfortunate consequences which would put a serious strain on the maintenance of the Cease Fire Agreement in Vietnam at a time when the question of its continuation is being discussed by the governments concerned.

3. We note that the State Department has already been in touch with the French Government on this subject. We hope that in subsequent discussions on this matter with the French Government, the United States Government might explore the possibility (as an alternative to the presently proposed scheme) of making arrangements under which French army personnel who might be retained in Vietnam (or rotated back in) could train Vietnamese army personnel in the maintenance and use of the MDAP equipment in collaboration with the existing US military mission at its present numerical level. If necessary these arrangements might be supplemented by the use of United States civilian technicians. We believe that some such alternative scheme should be fully canvassed before the course of action now proposed is embarked upon.

4. We appreciate the United States' view that the purpose of this operation, which will have the end result of reducing the military potential in South Vietnam, is in keeping with the spirit of the Vietnam armistice. In the interpretation of the Cease Fire Agreement, however, and in particular of Article 16 it is the Commission's ruling by majority vote which will count rather than the United States interpretation — a fact of considerable importance in connection with any reference of this matter to the Co-Chairmen, a step which is almost certain to follow if the Commission should find a violation and if its recommendations should be ignored. The United Kingdom in this circumstance would be placed in a most embarrassing and difficult position.

5. The fact that the United States does not regard itself as bound by the Cease Fire Agreement would not be regarded as relevant by the International Commission, since the French High Command is now responsible for the implementation of the Agreement in the South and would be charged with responsibility for any violation of Article 16 that might be found.

6. The United States proposals, if implemented, will certainly lead to Vietminh charges of violations of Article 16, even if US military personnel were to enter South Vietnam in civilian clothes. In the light of Commission precedents on the interpretation of Article 16, action along the lines proposed by the United States would almost certainly be regarded by the Commission as in violation of the Cease Fire Agreement. Whatever attitude the Canadian delegation might take (and it would be extremely difficult for it to reverse its previous approach to Article 16), it could not prevent the Commission from finding a violation and from making recommendations which would be the basis of any subsequent consideration of the question by the Co-Chairmen.

7. The emergence of this situation in the near future will in our opinion put great strain on the International Commission at a time when its future is precarious enough and on an issue (cooperation in the South) which is the chief cause of its present difficulties. This situation would militate against current efforts to prevent an early collapse of the Geneva settlement in Vietnam. Whether or not the action proposed by the United States would hasten an Indian decision to withdraw from the Commission, it would undoubtedly do much to exacerbate Indian-United States relations; if India were to remain on the Commission and the action proposed by the United States were carried out irrespective of the finding of the Commission, repeated indictments by the Commission of United States actions could be anticipated. It is not hard to imagine how this situation would be exploited by the Communists.

8. Even if the Commission could be persuaded to agree to the entry of US military personnel for the purposes indicated, failure of the legally responsible party in the South to comply with the required notification procedures concerning the arrival and departure of military personnel would be regarded as a violation, and in the absence of any convincing reason why this notification should not be carried out, might lend substance in neutralist eyes to Vietminh propaganda charges that the United States was endeavouring to establish bases in South Vietnam and to use the Southern zone for aggressive purposes.

9. I would be grateful if you would outline the foregoing considerations to the State Department and express our earnest desire that the United States will reconsider its proposals with a view to seeing if it would not be possible to use other methods to achieve their ends without raising the question of violation of the Cease Fire Agreement. We have mentioned one possible alternative in paragraph 3 above. From the point of view of the efficient handling of the equipment problem, we are aware that such an arrangement might leave much to be desired; but this disadvantage seems to us small in comparison with the serious and far reaching consequences which we think might flow from the course of action now contemplated.

10. In any event we hope that the State Department will not act hastily in this matter. We would particularly like to pass on to the State Department the comments of our Commissioner in Vietnam on the United States proposals to which we will attach particular importance in view of his closeness to the problem. We would think, furthermore, that there would be advantage in postponing a final decision until Mr. Dulles has had an opportunity to assess the consequences of the present proposals in the light of his forthcoming visit to Saigon next month.

11. We trust that the State Department will give careful consideration to the manner in which this matter is broached with the Indians. We do not think that advance information to the Indian Chairman of the Vietnam Commission will do much to reduce the likelihood that the Indians will regard the proposed entry into Vietnam of US military personnel as a violation of Article 16. On the other hand something might be gained (and nothing would

be lost) by preliminary government-to-government consultations with the Indians in New Delhi before a firm decision on the present proposals is made.

12. Finally we think it most desirable that no final decision be made on the presently proposed course of action until the results of the current exploration of the assumption of responsibilities for the maintenance of the armistice by the Diem Government can be better assessed.

13. I have no objection to your giving the full text of this telegram to the State Department.

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621. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 355 Washington, February 29, 1956

CONFIDENTIAL
Reference: Our 343 of Feb 28.

VIETNAM — FUTURE DEVELOPMENTS

We had a last opportunity today, February 29, to speak to Young before his departure for Karachi by reason of a hastily-arranged meeting of Old Commonwealth representatives with him.

2. What Young had to say to the group confirmed our understanding of the United States position as reported in our telegram under reference; we shall not therefore repeat the specific points made in that telegram. Young did make a few additional general comments. He said he thought the State Department was now very close in its thinking to the views of the Canadian and United Kingdom Governments. In particular the State Department would use its influence to attempt to provide for a continuation of a modified *status quo* and would seek to prevent an abrupt breakdown in the present arrangements underlying the armistice in Vietnam. To attempt to build any "new régime" would involve such a fundamental revision of the present framework of peace in Vietnam as to raise more problems than it would solve. It could not be ruled out, however, that some fundamental revisions might have to be made eventually.

3. Young said that, while United States suggestions could be made to both the French and the Vietnamese to work out some formula for continuing to share responsibilities for the cease-fire arrangements in Vietnam, the United States could not "work on" either of the parties until it knew more precisely what each of their positions were. (Young's comment struck us as somewhat odd in the light of our knowledge that he was already aware of the French response (our 346 of February 29†) to the United States note concerning the MDAP problem). It was reasonably clear from what Young had to say that we could expect the United States to do very little in the way of making direct representations to the South Vietnamese until after the March 4 elections or possibly until Dulles himself arrived in Saigon.

4. In answer to a number of questions Young said that in the State Department's view Diem should be doing something to seize the diplomatic initiative with respect to the issue

of all-Vietnam elections. Perhaps it was true that a more forthcoming South Vietnamese attitude on this question, which would appear to be within the Geneva framework, might seem to Diem to be a sign of weakness on his part. The State Department was coming to the opinion, however, that Diem had not done enough. Young thought it not unlikely that Dulles while in Saigon would press Diem to take some more forthright stand at least on the principle if not the modalities of free elections throughout Vietnam.

5. Once again (bearing in mind the report in our telegram under reference) Young said that the views which he had given us could not be said as yet to have the full approval of the Secretary.

[G.P. DE T.] GLAZEBROOK

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622. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM Y-384 Ottawa, March 2, 1956

CONFIDENTIAL

Reference: Your telegrams No. 343 of February 28 and 355 of February 29 and Hanoi telegram No. 65 of February 28† repeated to you separately.
Repeat Paris Y-209; London Y-344; New Delhi Y-178; Hanoi Y-67; Saigon Y-44.

VIETNAM — FUTURE DEVELOPMENTS

We are encouraged to note that the State Department now regards itself as "very close in its thinking to the views of the Canadian and United Kingdom Governments" but we are a little dismayed by the indications that they are not going to do very much in the immediate future to apply these views. We are also somewhat disturbed about some divergences in approach to this problem as between ourselves on the one hand and the United Kingdom and the United States on the other. While we recognize the unlikelihood that the State Department will do very much to move this matter ahead during Mr. Dulles' absence, we would suggest that you keep up the pressure by following up your previous approaches and in particular by drawing attention to an important discrepancy between our thinking and that of the United Kingdom and the United States.

2. This discrepancy relates to the manner in which the Diem Government might assume responsibilities for maintaining the armistice. We have observed from telegrams which Earnscliffe has shown us (particularly Foreign Office to Washington No. 822 of February 11 and UK Embassy Washington to Foreign Office No. 387 of February 15) that in discussing this problem with the State Department the United Kingdom has led off with the idea of Diem's making a unilateral declaration. It was not our idea that this is what should be done in the initial instance. As outlined in our memorandum on Vietnam enclosed with our despatch No. 148 of February 10, we suggested that the question of responsibilities for the maintenance of the armistice should be dealt with by means of a Franco-Vietnamese exchange of notes in which the French and the South Vietnamese would partition between them the remaining responsibilities under the Cease Fire Agreement with the South Vietnamese taking the lion's share. If this method of approach is not adopted, the French will be left in an impossible position, having abandoned the means of carrying out their

responsibilities by withdrawing the remainder of their forces in accordance with Article 10 of the Final Declaration and the request of the South Vietnamese Government. Even if the French should agree to a request from the South Vietnamese Government to leave behind a mission to carry out certain functions relating to the Cease Fire Agreement as well as other unrelated tasks they would not be in a position to carry out all their obligations as a party to the Agreement. They are not now in that position, and this is precisely the source of some of the greatest difficulties which the International Commission is now facing and the real threat to the future existence of the Geneva settlement in Vietnam.

3. We had envisioned the negotiations starting from the point of a French request that the South Vietnamese assume full legal responsibilities under the Cease Fire Agreement, but recognized the probability that the French might have to bargain down from there. To take account of this probability, we suggested that the exchange of notes might be so drafted as to protect the Diem Government's refusal to accept responsibility for the whole Geneva settlement. If the Geneva framework is to be kept together it will, in our opinion, be necessary for the South Vietnamese to accept responsibility for most of the substance of the Agreement, even if they do not formally commit themselves to the full range of responsibilities which would otherwise rest upon them as legal successors to the French High Command.

4. Our hope was that with United Kingdom and United States assistance the French and the South Vietnamese would be able to work out an exchange of notes which would go far enough for the French to claim that they had handed over their responsibilities (or most of them) but which would not go so far as to suggest that the South Vietnamese were assuming any responsibility for the original division of the country or for the political settlement. An exchange of notes along these lines would in our opinion make it possible for us to argue in the Commission (and others elsewhere) that South Vietnam has assumed responsibilities for the essential provisions of the Cease Fire Agreement and that all parties would simply have to accept realistically the fact that the Diem Government was not assuming the full range of responsibilities as a legal successor.

5. Recognizing that it might be possible to maintain this arrangement for only a limited time, we also suggested that if the Geneva framework started to come apart, the Diem Government could derive advantage from a unilateral offer to continue to abide by the essential provisions of the Armistice (for which it had assumed responsibility in its exchange of notes with the French) provided the Viet Minh would undertake to observe similar provisions.

6. However, we believe that the idea of a unilateral declaration by the South Vietnamese Government is a poor angle from which to approach this problem in the initial instance. In our opinion there is a great danger that the idea may be progressively watered down to something of the nature outlined by Foreign Minister Mau as reported in Hanoi telegram under reference. This would not, we think, serve to keep the Geneva structure in being for long, and would leave entirely out of account the fact that the French would be left holding the legal bag and might soon feel compelled to hand the problem on to the Co-Chairmen. In any event it is clear that both the French and the South Vietnamese are approaching this problem in terms of their own bilateral negotiations (in this connection see Hanoi telegram No. 66 of February 28,† which is being repeated to you separately).

7. Our hope was (and still is) that the United States and the United Kingdom might see their way clear to back up the French position in the forthcoming Franco-Vietnamese negotiations by intervening with Diem and pointing out to him the advantages of his government's assuming responsibilities for the maintenance of the cease fire arrangements,

making allowance for the fact that the Diem Government will not be prepared to accept full successor responsibilities. For the United Kingdom and the United States to explore the full possibilities of this approach to the problem it will be necessary for them to discuss with the French the sort of formula that might be devised to meet the French position without prejudicing the known policies and attitudes of the South Vietnamese towards the political settlement and the original partition of Vietnam.

8. We would be grateful if you would review this matter with the State Department, reiterating the points outlined above.

For London: We would be grateful if you would discuss this matter further with the Foreign Office and report their reactions.

For Paris: Please discuss this matter in general terms with the Quai d'Orsay, and enquire about any plans they may have developed with respect to the forthcoming negotiations on the problem of succession to the French High Command responsibilities.

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623. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 409 Washington, March 7, 1956

SECRET

Reference: Your Y384 of Mar 2/56.
Repeat London No. 39; Paris No. 20.

VIETNAM — FUTURE DEVELOPMENTS

We discussed with Kocher and Kattenburg of the Office of Southeast Asian Affairs on March 6 the views contained in your telegram under reference and left with them a written summary of those views. A copy of the paper which we left will be sent to you by bag.

2. As you surmised in your telegram under reference, the centre of gravity in this matter has shifted from Washington to Mr. Dulles and his suite in Karachi and points east. Kocher did not, therefore, offer very much in the way of substantial comment on our views. He was, however, quick to recognize what you have termed the discrepancy between Canadian thinking and that of the United States (on the degree of responsibility for the Armistice which Diem should be urged to assume) and that of the United Kingdom (on the modalities of South Vietnamese acceptance of these responsibilities). He said the State Department had not been too enthusiastic about the United Kingdom proposal for a unilateral declaration by Diem assuming responsibilities for the Armistice. (We have reported this fact before, e.g., our 343 of February 28; we should not forget, however, that the State Department view in this respect is based on different reasons from those which have led us to the same view.) On the matter of how far Diem should be urged to go in assuming the more important continuing responsibilities under the Ceasefire Agreement, Kocher said he was unable for the moment to add anything to what we had been told of United States thinking. He expected that the Secretary's discussions in Karachi, New Delhi, and Saigon would greatly influence United States moves in the immediate future.

3. While in the discussion which ensued then we did not learn anything new about United States plans for the future, we did learn a little more about the examination of United States policy towards Vietnam which has gone on recently. Much of this information was not entirely new either but it tended to confirm what we had to offer as speculation over the past few weeks.

4. We were told that in looking at the problems presented in Vietnam the State Department had examined three courses of possible action. At one extreme was the course of doing nothing, either to hasten or to prevent the natural evolution of the situation, i.e., to allow the present (Geneva) arrangements to wither away as fast or as slowly as they might. At the other extreme was action by the South Vietnamese Government to declare even more forthrightly than had been the case its disavowal of the Geneva arrangements, offering in their stead its plan for the future which would include its peaceful intentions, its willingness to prolong satisfactory armistice arrangements consonant with its national sovereignty, its goal of eventual free all-Vietnam elections, and its appeal for continued international interest in the situation.

5. Between these two extremes was a compromise scheme which would involve continued sharing of responsibility for the Geneva arrangements, perhaps somewhat modified, by the French and the Vietnamese. It was to this middle course that the State Department decided to direct its efforts out of deference to the views of its friends and because the general situation did not seem to have reached a point of crisis, demanding a régime fundamentally different from that settled on at Geneva. (This idea is familiar from the United States aide mémoire of February 29 to the United Kingdom, our 358 of March 1,† which includes the statement "the Government of the United States believes that unless the Communists greatly increase their pressure over Vietnam, it is better to continue the present arrangements temporarily rather than try the delicate and complex task of formulating and seeking agreement on a new *modus vivendi*"). The attitude of the two parties on whom the success of this course of action depended, the French and the Vietnamese, had yet to be explored fully. Only when more was known on this score could United States plans for action be laid more certainly.

6. Nothing emerged from our discussion which would ease your justifiable concern that the United States "is not going to do very much in the immediate future to apply these (United Kingdom and Canadian) views." It must be recognized that the United States has accepted to a point Canadian and United Kingdom views that an attempt should be made to preserve the Geneva framework for a time. The State Department's acceptance of this course of action, however, could scarcely be called enthusiastic at the moment. The State Department still has in mind a fall-back position which may not recommend itself to us. It is possible that Mr. Dulles' discussions in the field may change the balance of United States thinking. We must, therefore, be wary of attempting any firm estimate of United States thinking until we hear more of the results of those discussions.

[A.D.P.] HEENEY

624. DEA/50052-A-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 245 London, March 7, 1956

CONFIDENTIAL
Reference: Your tel Y344 Mar 2/56.
Repeat Paris No. 48; Washington No. 25.

VIETNAM FUTURE DEVELOPMENTS

We talked to Tomlinson yesterday afternoon and made the points contained in your telegram under reference. He did not seem to think that there was in fact such a great divergence in the UK Canadian approaches though he suspected that there was a considerable discrepancy between us (i.e. Canada and the UK) and the US.

2. The important objective was to provide for a set of conditions following the withdrawal of the French High Command which would so far as possible ensure the maintenance of the ceasefire arrangements and the effective operation of the Commission. This objective the UK shared with us.

3. As regards the idea of a unilateral declaration by the Diem Government, the Foreign Office view was that this need not, and probably should not, be translated into a separate and independent statement but could quite well form part of an exchange of notes between the French and the South Vietnamese.

4. There is perhaps some difference between us on the proper sequence of the steps to be taken to achieve the desired objective. While the British would be happy to see the French and Vietnamese work out a satisfactory solution between them, they remained convinced that the Diem Government was much more likely to cooperate to that end if encouraged to do so by the United States. It was for this reason that the UK, while keeping in touch with the French, had given first priority to trying to persuade the Americans to use their influence with the South Vietnamese Government. These efforts have so far been of little avail and the United States continues to talk in terms of the French retaining a large measure of legal responsibility for the implementation of the Ceasefire Agreement. The French have told the British that US suggestions have not been at all precise so far but the French position is clear. They will not contemplate any proposal whereby French forces having been withdrawn, the French High Command would nominally be transferred to the head of any remaining military training mission. If the South Vietnamese Government were to change its mind and withdraw its demand for the removal of the French Expeditionary Force, the Quai d'Orsay would not rule out the possibility of some joint arrangements being made taking into account the means at the disposal of each party.

5. You will by now probably have received a copy of Saigon telegram 84 of March 6† containing the text of a draft declaration which Stephenson suggests might be acceptable to Diem and could perhaps be contained in an exchange of notes. In addition to the political gesture in the first paragraph of the draft declaration the South Vietnam Government would, subject to Vietminh agreement to do likewise, respect the conditions of the ceasefire and in particular

(a) would cooperate loyally with the Commission and provide security

(b) would respect the Demarcation Line and the Demilitarized Zone

(c) sees no need to join any military alliance and has no intention of permitting the establishment of any foreign bases in its territory.

The obvious omission in this list of obligations relates of course to the provision of the Ceasefire Agreement prohibiting the entry of additional military personnel and equipment. This was deliberately omitted because of the present United States intentions, but the absence of any reference to this important provision would clearly be seized upon by the Vietminh.

6. Stephenson's draft declaration and his preceding telegram 83 with comments have been repeated to Karachi for the information of the Foreign Secretary. The Foreign Office hopes that discussions among the three Foreign Ministers will help iron out the present difficulties and differences. Tomlinson felt that there was little to be done pending these exchanges in Karachi.

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625. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM Y-66 Ottawa, March 17, 1956

CONFIDENTIAL. IMPORTANT.
Repeat Hanoi Y-95.

IMPORT OF ARMS

Whether or not the United States decides to send their TERM mission into South Vietnam, the fact that the French have not been complying with the proper notification procedures with respect to the entry of personnel and the export of war materials makes it highly probable that the Commission will shortly have a rash of violation charges to deal with alleging breaches of Articles 16 and 17 and perhaps 18 and 19 as well. While it is difficult at this stage to estimate the long range consequences of this situation, it seems possible that persistent failure of the French to comply with Commission recommendations — whatever the reason for such failure — may be a factor of crucial importance to the continued operation of the Commission or at least of its fixed teams. In any event the situation which is shaping up is sure to put the South in a very disadvantageous propaganda position.

2. The situation is likely to be aggravated if the French withdraw from South Vietnam and the Diem Government is left with the responsibility for complying with Article 17. The Diem Government is not likely to be much worried by Commission insistence on notification procedures, particularly if it is being counselled by the United States to ignore them. We do not think it likely that the United States (whose attitude is undoubtedly affected by their experience in Korea) will become any more inclined that they are now to accept the restrictions imposed by Article 16 and Commission procedural requirements on this subject.

3. So far as the public record goes the import of arms position in the North is a little too good to be true. We are aware that this is because no proven violations of the arms import regulations have come to light and because the Viet Minh have been very subtle in the kind of obstruction to team operations that they have employed. We are afraid, however, that a situation may arise which will enable the South Vietnamese or the United States Government to make public charges about Viet Minh violation of the ban on arms imports, and we may find ourselves in the uncomfortable position of having to go along with a Commission whitewash of the Viet Minh performance.

4. To avoid this situation we believe that it is desirable for your delegation to make a careful study of fixed team procedures for supervising the implementation of Article 17 in the North and to document cases of Viet Minh obstruction techniques such as those employed in connection with Phuc Hoa team and water transport for the Haiphong team. You will recall that in the Fourth Interim Report we made excellent use of circumstantial evidence which while not actually proving Viet Minh obstruction in the working of Article 14(d) nevertheless pointed the finger pretty unmistakably and in a manner that squared our position on the Commission with the allegations in South Vietnam and in the United States concerning Viet Minh obstruction of freedom of movement. This evidence was largely culled from a considerable number of team reports and when put together in the Fourth Interim Report added up to a fairly impressive case.

5. In the same way we would suggest that you continue your present practice of having delegation members — both on fixed teams and on Commission committees — call attention on every available occasion to Viet Minh practices which constitute in fact obstruction to the Commission's inspection procedures. (In this connection we were particularly impressed with the record of Viet Minh obstruction in connection with water transport for the Haiphong team as reported in your despatch No. 78 of February 22†). Preparatory work of this kind now will make it possible later for this kind of evidence to be brought out in Commission reports in such a way as to show that while no cases of direct violation can be proved the Viet Minh has nevertheless acted in such a way as to render nugatory the inspection machinery and procedures for ensuring that Article 17 is properly implemented. Also by laying the foundation now it will not appear when the next Commission report is written that we are merely trying to trump up charges to offset Viet Minh accusations against the South.

626.[16] DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM Y-457 Ottawa, March 21, 1956

CONFIDENTIAL. IMPORTANT TO ALL.
Reference: Your telegram No. 245 of March 7.
Repeat Paris Y-291; Washington Y-532; New Delhi Y-228; Hanoi Y-99; Saigon Y-72.

VIETNAM — ASSUMPTION OF RESPONSIBILITIES IN THE SOUTH

We would be grateful if you would draw to the attention of the Foreign Office the contents of telegrams 53† and 54† of March 19 and 57† of March 20 (paragraphs 1 to 5) from Saigon (all being repeated to you separately). These telegrams set forth very clearly the very awkward situation which is developing with the French denying any intention of retaining legal responsibilities for the Cease Fire Agreement and the South Vietnamese refusing to consider taking on these responsibilities, and both parties refusing to take the initiative in negotiating some compromise. Since the Indians and Poles are seized of this situation now in the Commission, we may expect that there may be some initiative in the Commission in the very near future to do something about this impossible state of affairs if other developments do not occur to resolve it.

2. Information which we have received from the State Department and from Earnscliffe indicates that the South Vietnamese are now working on a draft declaration along the lines which have been suggested by Stephenson in Saigon. We have already indicated our concern about this approach to the problem in our telegram Y-344 of March 2. We would be interested in knowing whether the United Kingdom still see some prospect for Diem's declaration forming part of an exchange of notes between the French and the Vietnamese, as suggested in paragraph 3 of your telegram under reference. We have not seen any recent indication of this possibility. We note that the United Kingdom sees as the primary objective the provision for a set of conditions which would so far as possible ensure the maintenance of the cease fire arrangements and the effective operation of the Commission. It seems to us that an essential condition in this connection is the existence of a legally responsible party in the South. Any light which the United Kingdom can throw on how such a condition can be met on the basis of the kind of declaration which it is now contemplated that Diem might make would be much appreciated.

3. If we can continue to have some legally responsible party in the South — or at least a convincing appearance of one — the possibility of maintaining the armistice in Vietnam on the basis of the existing Cease Fire Agreement may be reasonably good. We understand that this is an objective of United Kingdom policy as indicated in the United Kingdom

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[16] Les documents 626, 627 et 628 formaient la base de la préparation de Pearson en vue de sa rencontre avec Dulles à White Sulpher Springs. Pour le rapport de leurs discussions informelles sur le Vietnam, voir le document 10.

Documents 626, 627 and 628 formed the basis of Pearson's brief for his meeting with Dulles at White Sulpher Springs. For the report on their perfunctory discussions on Vietnam, see Document 10.

note to the India in early February. The disappearance of a legally responsible party, however, seems likely to us to render the maintenance of the Cease Fire Agreement for any length of time an almost impossible task.

4. We appreciate the reluctance of South Vietnam to assume legal responsibilities under the Cease Fire Agreement, and the United States' reasons for counselling the South Vietnamese against assuming commitments in this connection which are too specific in nature or too long in point of time. On the other hand we can understand the desire of the French to take advantage of the present opportunity to shed the unenviable task which they have been performing in Vietnam. We have not examined the legal aspects of the situation, but would be interested in knowing the United Kingdom view as to whether the French can dispose of all their legal responsibilities simply by dissolving the French High Command. We appreciate, of course, that in this situation greater weight will be attached to political than to legal considerations.

5. You might tell the Foreign Office that we are rather uneasy about the possibility that pursuit of the unilateral declaration idea may lead to serious consideration of the "third alternative" mentioned in New Delhi telegram No. 202 of March 19,† which we assume would mean the lapsing of the Cease Fire Agreement and its replacement by some loose arrangement based on declarations made by the South Vietnamese and the Viet Minh. This suggestion appears to contemplate a fresh mandate to the Commission powers to supervise an "agreement" based on these declarations. We would not wish it to be assumed that we would be prepared to accept without very careful prior scrutiny supervisory responsibilities in Vietnam based on any such loose arrangement. With a detailed and firm agreement to supervise, we have, by insisting on a fairly narrow and legalistic interpretation both of the Commission's role and of the Cease Fire Agreement, been able to ensure that the International Commission has not become internationally meddlesome (e.g. our success in keeping the Commission out of discussion of the political settlement and in preventing the Commission from becoming involved with General Giap's broad propaganda charges). We would not be confident that this would continue to be possible if the Commission were asked to supervise the carrying out of two unilateral declarations.

For Washington: Please convey the substance of the foregoing to the State Department as well as Saigon telegrams 53 and 54 and paragraphs 1 to 5 of 57.

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627. DEA/50092-A-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM Y-542 Ottawa, March 22, 1956

SECRET. IMPORTANT.

Repeat London Y-463; New Delhi Y-233; Saigon Y-73; Hanoi Y-101.

VIETNAM — PROPOSED TERM MISSION

For your own information, we learned of the Indian reply from the United Kingdom both here and through our office in Saigon. We are therefore repeating your telegram and this reply to interested missions to whom Saigon telegram No. 46 of March 15† has already been referred.

2. We too have been amazed at the Indian reaction to the proposed TERM mission.[17] We are, however, disturbed about the possibility that misunderstanding on this matter, as between the United States and India, could lead to nasty trouble between them. You may mention our misgivings on this score to the State Department and perhaps suggest that a very careful check be made on the information which has been given to the Indians.

3. From Kattenburg's account we received the impression that the Indians understand the main task of the TERM mission to be the removal of military equipment. It is therefore possible that this might be a source of misunderstanding if the Indians were later to discover that the TERM mission was spending most of its time reconditioning military equipment rather than removing it.

4. You might also mention to the State Department that the conditions for the entry of the TERM mission, as suggested by the Indians, should carefully be noted i.e. operations under the supervision or with the cognizance of the Commission and notification of entry and departure of personnel.

5. With respect to the precedents which Desai mentioned, in August 1955, the PAVN notified the Commission that a Korean army group of 60 entertainers and 3 military delegates were entering North Vietnam at Lang Son. To deal with pertinent questions of notification and control, the Commission adopted certain principles which were later also applied to a similar visit by a Communist Chinese "cultural" group. On the basis of their correct procedures in these instances, the PAVN have made numerous complaints of French violations in respect of a number of movements including the visit of a Philippines military mission to South Vietnam in January 1955, the visit of a South Korean military mission in August 1955, and the visits on various occasions of Admiral Stump, General Pipes, and other United States military personnel. Complaints have also been made concerning visits of South Vietnamese military personnel to the Philippines, to the United States, and to South Korea.

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628. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM Y-75 Ottawa, March 23, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Your telegram No. 92 of March 13.†
Repeat Hanoi Y-104.

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[17] En réponse à une note américaine concernant la mission TERM, New Delhi a informé Washington que le « Indian Government did not consider the proposed United States action would be inconsistent with the Geneva Agreement, if its purpose was to remove military potential from Vietnam ». Washington à Ottawa, télégramme 543, 21 mars 1956, MAE 50052-A-40.

In response to an American note on TERM, New Delhi informed Washington that the "Indian Government did not consider the proposed United States action would be inconsistent with the Geneva Agreement, if its purpose was to remove military potential from Vietnam." Washington to Ottawa, Telegram 543, March 21, 1956, DEA 50052-A-40.

REDUCTION OF TEAM PERSONNEL

Ignoring for the moment the difficulty of forecasting the situation which will follow the withdrawal of the FEC and the outcome of the tangled problem concerning the assumption of responsibilities in the South, we would like to direct your attention to the question of the future scale of our activities in Vietnam. If we assume that the Diem Government will accept sufficient responsibilities to keep the armistice working for the time being on the basis of the Cease Fire Agreement, it would seem that there is not likely to be any substantial change in the nature of the Commission's supervisory responsibilities. At the same time it appears probable that increasing difficulties over logistic problems, a less cooperative attitude on the part of the DR (arising from the fact that they may calculate that their good behaviour is not yielding much in the way of bringing forward the political settlement) and only a limited measure of cooperation from the South Vietnamese will all combine to render the Commission even more ineffective than it now is. Under these circumstances both the symbolic and practical value of the Commission as an agency for the preservation of the peace will decline and we may find that a large proportion of our delegation (particularly officers on the fixed and mobile teams) may either be unemployed or engaged in insignificant tasks. To carry on in futility would do Canada's reputation no good, it would do the reputation of the Commission no good and would be a disservice to the idea of international supervision. Furthermore we can ill afford to continue fielding so large and expensive a team if it can accomplish so little.

2. We are therefore wondering whether we have not passed the point where we should continue trying to make the Commission do an effective job in those spheres where it has not clearly succeeded up to the present, and whether we should not now begin to seek ways and means of promoting the curtailment of those Commission activities which are not contributing directly to the maintenance of the peace.

3. With the future of the armistice now in the balance we would do our friends little service if we were to come forward now with proposals or schemes for the redefining of the Commission's tasks in more realistic terms. We would like, however, to have your views about the prospects of our aiding and abetting the reduction of the Commission's activities and of our reducing the number of people required to keep up the Commission's activities.

4. Active responsibilities of fixed and mobile teams appear now in descending order of importance to relate to:

(a) supervision of the demilitarized zone;
(b) supervision of the entry of military personnel and war materials;
(c) Article 14(c);
(d) residual problems under 14(d) and 21.

We would not wish to encourage any scaling down of task (a) which could make an important contribution to the maintenance of the armistice.

5. Task (b) is the principal raison d'être of the fixed teams and is therefore indirectly the most demanding in terms of manpower. We have doubts as to the usefulness of the teams in this connection, and wonder whether the value of the teams as deterrents to the import of war materials is not overweighed by the false sense of security which their existence gives. We would appreciate your comments on this point. In our telegram No. Y66 of March 17† we have suggested that note be taken of all indications of Viet Minh obstructions to the teams in this connection, so that if trouble brews up later in connection with arms or personnel entries in the South, we might be in a position to make countercharges against the Vietminh and then perhaps propose a withdrawal of the teams on the grounds that neither side really wishes useful supervision to be carried out. We would also welcome your com-

ments on this idea. Finally, we wonder whether there would be any merit in considering forthright action in connection with the Phuc Hoa team if the DR refuse to permit continuous supervision after the mandate of the present team runs out. We have in mind your proposing in the Commission the withdrawal of the team on the grounds that the gap in control recommended by the Commission defeats the purpose of the team. We might get more value out of withdrawing the team and making the reasons public than from continuing its existence under conditions that render its control functions almost valueless. We might even consider refusing to send in a Canadian member if the Indians and Poles wished to maintain the team in existence. While we recognize that since this team is a mobile team it might be difficult to capitalize fully on its withdrawal, nevertheless it might be a useful preparatory move for the later withdrawal of fixed teams on the grounds that they could not exercise useful control either in the North or the South. Is there any corresponding team in the South which could be withdrawn at the same time as the Phuc Hoa team?

6. Task (c) contributes only to the propaganda advantage of the DR, and neither it nor task (d) (which may have some limited humanitarian value) contributes in any substantial way to the maintenance of the cease fire. We find it a little difficult from our records to work out the extent to which mobile team personnel have been actively employed on these tasks in the last few months or how many of them have spent their time waiting around for permission to begin investigations. We have been wondering whether there would be any possibility of reducing the officer strength available for mobile team work, even if this were to slow down 14(c) investigations. Is there any possibility that more of this work might be done by mobile elements of some of the less active fixed teams in the South?

7. Finally we would be interested in your views as to the possibility of withdrawing at least one pair of the fixed teams — say the Con Cuong team in the North and either Nha Trang or Ba Ngoi in the South on the grounds that they simply do not have enough useful business to warrant their continued existence. Spot checks might be made from time to time by the nearest fixed teams.

8. Generally speaking we do not believe that the time is ripe for us to initiate any moves to reduce the functions of the Commission. We would like to see all possible steps taken to prepare for such initiatives at a later date, and meanwhile would appreciate your comments and suggestions on ways of trimming on personnel. We do not wish to promote a situation in which an impossible burden would be thrown on those who remain; on the other hand we would not be upset if shortage of Canadian personnel were to contribute to the curtailment of some of the Commission's less useful activities.

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629. DEA/50052-A-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], March 23, 1956

VIETNAM — LETTER TO THE CO-CHAIRMEN

You will recall that last December 21 the Co-Chairmen of the Geneva Conference addressed a circular letter to members of the Conference and to the supervisory powers calling attention to the unsatisfactory implementation of certain provisions of the Geneva settlement in Vietnam and inviting comments and suggestions.[18] (Sir Archibald Nye's letter of December 21 is attached). All governments consulted have now replied with the exception of South Vietnam, Cambodia and Canada. Although there is not much we can add to the exchange of correspondence that has taken place; I think we should send in a reply.

2. In brief, the replies of the other governments were along the following lines:

CHINA: An attack upon the Diem Government and a call for a reconvening of the Geneva Conference.

FRANCE: A clarification of French responsibilities under the Cease Fire Agreement and the Final Declaration.

VIETMINH: A vigorous attack upon the Diem Government and a call for the reconvening of the Geneva Conference.

POLAND: A comparatively mild note, reflecting adversely upon the attitude of South Vietnam and supporting the idea of a new Conference.

LAOS: A complaint about Vietminh interference in Laos, and an expression of a wish to avoid intervention in the affairs of Vietnam.

INDIA: A lengthy dissertation on the Geneva Agreement and the interdependence of the Cease Fire Agreement and the provisions in the Final Declaration for a political settlement, together with an urgent request for a meeting of the Co-Chairmen to consider some new initiative to save the Geneva settlement from collapse.

3. The United Kingdom and the Soviet Union have not, of course, made separate replies, but in a note dated February 18 and addressed to the United Kingdom the USSR supported the Chinese and Vietminh proposals for the reconvening of the Geneva Conference, with the supervisory powers attending. The United Kingdom replied to this note on March 9 (after consulting with the Americans in Karachi), turning aside the idea of a reconvened Geneva Conference and proposing instead that the Co-Chairmen might meet and discuss the situation when the Soviet ministers visit the United Kingdom in April.

4. The Indians expressed the hope that we would take account of their message in our reply. We would prefer not to take detailed account of it, however, as we would have to disagree with them on a number of points, and there would be little advantage to be gained from engaging in public debate with them. Mr. Reid thought that the Indians particularly wanted us to support the Indian request that the Co-Chairmen meet to discuss the problem, and we see no objection to meeting this point.

5. Attached for your signature if you agree is a letter to Sir Archibald Nye conveying our reply. We asked Canada House to check a draft of this letter with the Foreign Office, and we have revised the letter to take into account one point which they raised.

6. You may recall having seen telegrams from our missions in London and Washington suggesting that since we were taking the line that Canada, as a supervisory power, has no responsibility for the political settlement, we should make no mention of it whatever in our reply, even indirectly. We do not agree with this view and believe that if we were to omit any reference to the political settlement we might give rise to speculation that we had reservations about it. The fact that we are not responsible for the political settlement does not mean that we have to ignore the existence of the problem or that we cannot express the hope that those who have responsibility will give attention to it. Accordingly we have left

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[18] Voir/See Allan W. Cameron, *Viet-Nam Crisis: A Documentary History*, Volume I: 1940-1956, Ithaca, N.Y: Cornell University Press, 1971, pp. 414-415.

in a reference to the Geneva settlement in the last sentence of the letter. This point will be explained to London and Washington in a separate telegram.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire du Royaume-Uni

Secretary of State for External Affairs
to High Commissioner of United Kingdom

CONFIDENTIAL Ottawa, March 23, 1956

Dear Sir Archibald [Nye]:

I should like to refer to your letter of December 21, 1955, transmitting a communication from Mr. Macmillan and Mr. Molotov in their then capacity of Co-Chairmen of the Geneva Conference and the governments participating in the International Supervisory Commission in Vietnam concerning the implementation in Vietnam of the agreements reached by the Geneva Conference of 1954. I would be grateful if you would transmit to Mr. Selwyn Lloyd (Mr. Macmillan's successor as Co-Chairman) the following reply.

The documents referred to in the Co-Chairman's communication of December 21, 1955 deal for the most part with the question of the political settlement in Vietnam. Since the International Supervisory Commission in which Canada was invited to participate was set up for the sole purpose of supervising the implementation of the Cease Fire Agreement, the Canadian Government has always regarded its responsibilities with respect to the Geneva settlement as confined to the Cease Fire Agreement. Accordingly it does not wish to express views with respect to the manner in which the programme for a political settlement for Vietnam as outlined in the Final Declaration of the Geneva Conference should be carried out.

Canadian views on the unsatisfactory implementation of certain clauses of the Cease Fire Agreement have been set forth in the Fourth Interim Report of the International Commission, and particularly in the two minority Canadian amendments which are included in the report. The Canadian Government has no additional observations to add at this time.

The Canadian Government expresses the hope that the Co-Chairmen will keep the situation in Vietnam under review, that in the light of the comments of the Geneva Conference powers and the Commission powers they will consult together at their discretion as to what measures might best be taken to ensure that the Cease Fire Agreement is maintained and the Geneva settlement carried out.

Yours sincerely,
L.B. PEARSON

630. DEA/50052-40

Le sous-secrétaire d'État adjoint aux Affaires extérieures au commissaire de la Commission internationale de surveillance pour le Vietnam

Assistant Under-Secretary of State for External Affairs to Commissioner, International Supervisory Commission for Vietnam

PERSONAL AND CONFIDENTIAL [Ottawa], March 23, 1956

Dear David [Johnson],

Your telegram No. 92 of March 13†, concerning the transfer of headquarters from Hanoi to the South and indicating the difficulties you are now having with the PAVN has brought to a boil in my mind some of the conclusions which I think we may have to reach soon about the continuing work of the Commission. We have threshed over these matters here quite a bit but have not yet put any clear issues to the Minister. What I would like to do is give you some idea of our trends of thought and have your comments. In this letter I shall be thinking out loud and not interpreting what could be called settled Canadian policy.

2. As you know, we have from the beginning foreseen a time when the Commission, in spite of all our efforts, would be pretty well incapable of doing anything like a conscientious job of carrying out most of its remaining functions. The reason for this frustration would be the devious methods of the Communists, the incapacity of the French to act, and the refusal of the South to cooperate. Efforts are being made of course to secure some kind of cooperation from the South Vietnamese, but these negotiations may involve a long stalemate during which the Commission will have to carry on somehow. If the French depart without any agreement on cooperation by the South, it is hard to see how the Commission can operate at all, but even if some grudging agreement is achieved we are wondering how successfully the Commission can function.

3. We have, of course, taken the view and still do that the Commission has a symbolic value and should be retained in Vietnam as long as possible because to remove it would threaten the Geneva framework on which peace rests. The symbolic function would undoubtedly best be achieved by continuing the Commission at full force, by improving our procedures, and thereby making sure that the Geneva Agreements are observed. On the other hand, it is conceivable that it could be achieved simply by having a Commission waving an international flag in Hanoi or Saigon or both. What I am worried about is that we may find ourselves drifting into a situation in which we have the worst of both worlds. In other words, we would maintain the full staff and framework and endeavour to carry on all the prescribed functions, but for an increasing number of reasons we would be incapable of performing any of these functions satisfactorily. Such a situation would be hard on our morale and on our pride; it would also be very hard on the prestige of the Commission. If the Commission becomes a farce, can it have any value as a symbol?

4. Under these circumstances we are naturally rather tempted by any scheme for lopping off those functions of the Commission which cannot be carried out to our satisfaction or the satisfaction of the parties. These could be lopped off, as the Poles have suggested to you, by drawing up a new Geneva Agreement at a new Geneva Conference. Such a conference, we have agreed, is not a practical proposal — although we might bear in mind that, for the reasons mentioned in the above paragraph, it may some day soon be in our Canadian interest to seek new Geneva terms even if some of the Great Powers are thereby

embarrassed. As an alternative to seeking a formal agreement we might encourage and promote any withering away of Commission functions which sets in as a result of declining cooperation from the parties and any mutual tacit recognition on their part that nothing can be done about certain provisions of the agreement.

5. There must be some functions of the Commissions which have already withered away. Among these one might include 14(d). Of the other functions that we would have most interest in withering, I should think 14(c) would be the most important. It serves no useful purpose, as far as I can see, to continue any actions under 14(c) and it would be best if we forgot the whole thing. The most questionable provisions for consideration are the functions under Chapter III preventing the importation of arms and armed forces.

6. Of the continuing supervisory responsibilities of the Commission, it would seem on the face of it that the control of arms imports is one of the most important continuing functions. However, one must be practical. Is it possible for these provisions to be enforced to an extent which gives reasonable grounds for confidence? It looks to us as if the situation in this respect may be approaching the situation which has existed for some time in Korea. In spite of the charges often made by the Americans we are not persuaded that large quantities of materials have been pouring into Vietnam because we have no evidence to this effect. Nevertheless, from what we have learned from the Commission and the teams, we assume that, whether or not the Viet Minh have taken advantage of the situation, the provisions the Commission has been able to establish to prevent arms shipments across the northern border and along the northern coast would not be adequate to prevent importations on a considerable scale at any time the Communists wished. Perhaps, given the terrain and the length of the coastline, this kind of control is inherently impossible without the use of enormous manpower. Whether it is or not the Poles and the Viet Minh have by their treatment of the fixed and mobile teams in the North done their best to prevent what has been established from being effective. It cannot be said that the controls have worked very well in the South either, but the reasons for this seem to be to a large extent negligence and reluctance on the part of all parties concerned.

7. We may be faced shortly with the determination on the part of the Americans and the South Vietnamese to defy the Geneva Agreement in respect to arms importation. If they do so, they are almost certain to point out that the Commission has been unable to control importation in North Vietnam and therefore it cannot expect the South to accept these limitations. We might have to decide whether we should attempt the impossible task of establishing a really effective control around the whole country or give up trying.

8. One function which probably ought not to be withered away, and which should in fact be strengthened, is that of controlling the border between the two parts of Vietnam. This, I gather, is not as easy as it seems, partly because of the topography and partly because of the local obstructions. Nevertheless, it would seem to be a job in which both sides have some mutual interest and which could conceivably be accomplished with a limited degree of satisfaction.

9. It may well be that I have exaggerated the futility of the Commission. If so, I hope that you will put us straight quickly in our estimates. (I hope I do not need to explain that there is no implication whatsoever of criticism of the Canadian Commissioner or his staff in these derogatory references to the work of the Commission.) If this state of frustration has been reached or may well be reached in the near future, should we oppose or resist the withering away of most of the Commission's activities — or should we perhaps consciously guide it to make clear where the blame lies? It would be hard for our self-respect to sit back and let this process go on without protest. At the same time, there is a good deal to be said for our being relieved of duties which we cannot decently perform. To carry on

in futility would do Canada's reputation no good, it would do the reputation of the Commission no good, and we cannot afford to continue fielding so large and expensive a team if it can accomplish so little.

10. There may be something to be said for a two-faced policy, constantly protesting against frustrations but allowing our activities to be curtailed without trying very hard to fight against the inevitable. If we get no relief from our burdens either from the withering process or from some other eventuality such as a redefinition of Commission tasks, we may ultimately have to resort to more forthright action. If all else fails we might, at the appropriate moment, say quite frankly in the Commission that for reasons clear to all it is impossible for the Commission to carry out equitably and in fairness to both parties certain of its functions and that as this is the case the Canadian team cannot conscientiously participate in such activities. In this way, we might get rid of 14(c). We might have to place a good deal of the blame on South Vietnam, but we could also put on record our views about civil liberties in the North. To refuse to participate in control of the border would be a more serious affair and, it might be argued, contrary to the interests of the Western Powers. The fact may well be, however, that we should be getting rid merely of a pretence which in reality is working to no one's advantage except possibly the Communists'. Our excuse for refusing to continue the arms control would be the frustrations put in our way by the Communists. I realize, of course, that we have never been able to work up a good case to prove Viet Minh violations on the Commission, but if we publish the story of our efforts to establish fixed teams and the difficulties these teams have met with, I should think they would look like convincing evidence to the outsider that the Communists have prevented our control from being effective. It is to be hoped, of course, that the Americans will not precipitately provide us with reasons for doing away with arms control for which the South must be blamed.

11. There are clearly many objections to such a policy. It would mean that we would be talking a good deal more frankly and publicly about the problems of the Commission than we have ever done before, and this might make it difficult for the Commission to take any effective action. On the other hand, it may be that the days have ended when unanimity and an effective Commission are of any value. It is the Geneva Armistice rather than the Commission that we are interested in preserving, and the former may be preserved even though the Commission is a broken reed. It must be borne in mind that the alternative to a rump Commission is perhaps even worse. This alternative, as I see it, would be the continuance indefinitely of all the fixed teams and mobile teams in spite of the fact that they are accomplishing little or nothing. With the departure of the French, we will, I presume, be faced with critical logistic problems. It may not simply be a question of the teams not being able to operate but of the teams having to be withdrawn as they cannot be supplied. Heretofore, we have worried about the logistic difficulties which the South would be responsible for. If, however, as is suggested in your telegram No. 92, the PAVN are creating difficulties in order to drive you out of Hanoi, it may be that we will have a more balanced excuse for cutting down some of our functions on that score.

12. If the time is not yet right for the more extreme measures which I have suggested as a way to reduce the Commission, I think we should do what we can now to "shape the record" so that we will have good grounds — relating to both north and south — for our decision to refuse further participation in the Commission's less useful functions. Meanwhile I presume we can expect a long period of wrangling before the position became clear. During this period of wrangling, in which the teams might become pretty well ineffective, would it be legitimate for us to reduce our military strength in Vietnam? Hitherto, we have been inclined to think that some time this spring great decisions would be taken by the Geneva Powers or the French or the South Vietnamese which would suddenly make

our future role clear. Given the fact, however, that none of the parties concerned, the Communists, the Western Powers or the Indians, is showing any anxiety to raise issues violently, I think we may well be faced with some months of stalemate. The only decisive event which could take place in the near future would be the complete withdrawal of the French. I have a feeling, however, that even this will be confused in some temporising formula, and in a few months' time the situation with regard to the work of the Commission will remain pretty much the same as it is now. It may be that we are now in a period when the future of the Commission is in the balance. Tempting as it is to turn this situation to advantage by taking drastic action now to rationalize the work of the Commission, I think we will have to hold our hand for the moment in the interests of not rocking the boat in the midst of a difficult passage. On the other hand we will have to beware of getting into the dreary situation of complete frustration such as has overtaken our friends the Swiss and Swedes in Korea.

13. These things may look very different to you on the spot. It is very difficult for us here to estimate the difficulties with which the teams have to cope. We would certainly not want to make any firm recommendations without getting your views. It is because our ideas remain so inchoate that I am sending them to you in this tentative way. If possible, you might let me have the gist of your preliminary views by telegram as we should not delay our decisions too long. As the fate of the Vietnam Commission will inevitably affect the Commissions in Laos and if it still remains Cambodia, I am sending copies to Paul [Bridle] and Arnold [Smith] as well.

Yours sincerely,
J.W. HOLMES

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631. L.B.P./Vol. 34

Note

Memorandum

CONFIDENTIAL

REPORT OF MINISTER'S DISCUSSION WITH KRISHNA MENON IN NEW YORK, THURSDAY, MARCH 29, 1956

Krishna Menon called on the Minister in New York on March 29. He had arranged to do so at the request of Mr. Nehru, in order to discuss the position of the Commissions in Indo-China. Mr. Holmes was also present.

On Indo-Chinese matters Mr. Menon talked, on the whole, with sense and balance. On several other subjects which were raised, however, he indulged in hyperbolic generalization of the kind which is probably not intended to be taken literally. He began, for example, by announcing the assumption that disarmament had become a dead issue. The basis of his pessimism was the limited nature of both the United States and the Soviet proposals, neither of which he seemed to understand very accurately, and in particular the fact that they ignored nuclear disarmament. He did not seem prepared to accept the argument that the limited nature of both American and Soviet proposals was evidence of a more serious intention than previously to get started on preliminary but concrete steps toward disarmament.

Mr. Menon flitted over the Middle East situation, implying sympathetic disapproval of British policy. He was worried over India's position if Cyprus came before the U.N. Assembly. He condemned the Baghdad Pact and S.E.A.T.O., spoke of Pakistani provocation, but said that India would have been prepared to say nothing about the Baghdad Pact if Selwyn Lloyd had not, after the Karachi meeting, promoted it so loudly. He agreed with Mr. Pearson that it was mistaken to attempt to extend the Pact to countries away from the Soviet border as it would be merely interpreted as an effort to split the Arab world. The Templer intervention in Jordan had been an unhappy illustration of this. He professed to believe that the Americans were in the last few months relying more and more on S.E.A.T.O. in South East Asia, but he was told that our impression was exactly the reverse. Mr. Pearson told him that Mr. Dulles, in his review of his trip at White Sulphur Springs, had never once mentioned S.E.A.T.O. but had talked almost exclusively of the need to understand and encourage the new countries of Asia.

There was some discussion of the opening date of the U.N. Assembly in which Mr. Menon voiced objection in principle to postponing the Assembly because of the U.S. elections and complained of the expense involved. Mr. Pearson said it need not cost more, as there was no need for more than a very brief holiday over Christmas. He did not think that Canada should in the first place support the postponing of the opening date although he recognized that we should probably have to accept the change. Mr. Menon said that if India and Canada took a stand against it, some others would agree. He and Mr. Pearson discussed the possibility of accepting the convention that every four years the Assembly should meet away from the United States and that the year to be absent might well be the year of the presidential elections but not necessarily tied to this.

When the sending of arms to Pakistan was mentioned, Mr. Pearson said he understood India had been looking into the purchase of CF-100's from Canada. Mr. Menon claimed credit for putting up this idea to his government. He said it was a question of choosing between the British Hawker-Hunter, the French Mystère, or the CF-100. They did not want to go outside the "Commonwealth system" for supplies. He made no other mention of possible purchase from the U.S.S.R. When Mr. Pearson said that we would be glad to consider enquiries but were not anxious to solicit orders in competition with the British, Mr. Menon said that the Hawker-Siddeley people already had a man in India seeking business.

Mr. Menon spoke rather bitterly about the negotiations in Washington on the Atomic Agency. He made cynical remarks about the American announcement about making material available on the eve of the meeting, talked of the Western powers settling everything to their own satisfaction in caucus, and expressed doubt that India would participate. He said India could not accept the special position of the major powers and went on to say that although the insistence on control was ostensibly for reasons of security, it was really intended to prevent the economic development of countries like India. When he was vigorously challenged in this assumption by Mr. Pearson, who expressed his full understanding of the apparent inequitable position, he said that of course Canada naturally saw things from the same point of view as the major powers because we had not the experience of being on the other side economically as "hewers of wood and drawers of water": in rebuttal he was given some contemporary information to put him straight on Canadian economic history.

On the problems facing the Commission in Vietnam, Mr. Menon spoke in terms quite similar to those we have used. He did not insist on formal assumption by Diem of the French role, but he emphasized the importance to both of us of adequate responsibility being accepted. He seemed to realize that there were limitations to what Diem would accept, but he was inclined to insist on Diem going farther than we have reason to believe he would. He was not very precise on what exactly he wanted from Diem, but he indicated that the kind of unilateral declaration the British Ambassador was pressing him to issue would not be good enough. It would lead to a permanent division of this country. Any arrangement made must be acceptable to both sides. "It must have two legs". It must provide for continuance of the cease-fire arrangements, and it must also include some promise concerning discussions leading to elections. This latter could be the setting of a date for elections one or two years hence or at least for further consideration of elections at that time. He spoke of possible agreement on contact between the two sides, but didn't seem to insist on this. It was not clear just what he had in mind precisely except that the continuance of the Commission must be related to some provision for eventual fulfilment of the provision for elections. He did not see how India or Canada could agree to go on otherwise, as we would be committed to a task without any foreseeable conclusion.

Mr. Pearson agreed that there must be a firm assumption of responsibility for the cease-fire arrangements by the South, in agreement with the French. He was sure that the Americans and British were putting steady pressure on Diem to accept some sensible provision. He agreed that we could not accept an indefinite commitment to carry on in a divided country in a situation in which the political provisions of the Geneva Agreement are abandoned. Mr. Holmes said that it would be proper for the Co-Chairmen to make stipulations concerning the electoral provisions; it would be inconsistent, however, for Canada, in its role as a member of the Commission, to give the impression that we were insisting that Diem should take action with regard to elections, as we had always maintained that the fulfilment of the provisions of the Final Declarations were not the responsibility of the Commission. Mr. Pearson indicated that we might, however, legitimately take into account the relation of the political provisions to the scope and length of the Commission's task.

Mr. Menon was firm in his view that the Commission should remain, as it was the only thing which could prevent the situation from deteriorating. He spoke of the danger of collapse in the South because of Viet Minh sympathizers, the sects, and warlords, emphasizing divisive influence which were not necessarily based on ideology. He spoke of persons like Tran Van Hu, who were opposed to Diem but not pro-Viet Minh, although they were in favour of negotiating with the North. He did not say whether he approved of such people. He did say, however, there had been proposals that they visit India but India would have nothing to do with them. His estimate of the security position in the South seemed a few months out of date. He spoke of Diem with no enthusiasm, but it could not be said that he showed any indication of writing off either him or South Vietnam. As for the North, he said little either for or against. He implied that the Northern region was more widely accepted than the Southern, but he did not argue strongly when he was told with some vehemence the Canadian impression of the state of freedom in the North.

Mr. Holmes said that those on our side who were very directly concerned with the work of the Commission were worried over the fact that the Commission was frustrated in its efforts to carry out virtually all its remaining functions. It was all very well to talk about the importance of the Commission carrying on, but it was not operating very successfully at the present time. One of the reasons was certainly the lack of co-operation from the South, but we had also had continuous frustration from the Viet Minh, to be seen most clearly in their behaviour towards the teams on the Northern border. Mr. Menon said he had got the impression from Mr. Desai that the Commission was working all right, but he seemed to have very little knowledge of the realities of 14 (c), for instance. He was given a firm statement of our views on the inequity of 14(c) as between North and South.

One aspect of the subject on which there was complete agreement was that we should have nothing to do with any suggestions that the I.S.C. should take over the role of the Joint Commissions. This would make the I.S.C. a functional rather than a supervisory body, and Vietnam would have the status of an occupied country. Neither India nor Canada was prepared to consider sending the forces required for this purpose.

On Cambodia, Mr. Pearson said that we were getting out and had no intention of staying beyond this Spring. There was nothing further for the Commission to do, and we must leave. He was not pleased with the recent behaviour of Sihanouk and we did not want to become involved in his unstable policies. Mr. Menon agreed that there was nothing to do but said we could not abruptly pull out because of the connexion established between the tenure of the Cambodian Commission and the settlement in Vietnam. He thought there was a good chance that the Communists would agree to the withdrawal of this Commission but if they didn't we should at least maintain a token Commission in order not to break the structure of Geneva. This token might be represented by a diplomatic mission or even by someone in the Vietnam Commission, if necessary. Mr. Pearson said we might consider a token arrangement but only if it did not involve the maintenance of bodies in Cambodia.

Nothing at all was said about Laos.

Mr. Menon said that he would be talking to Mr. Lloyd in London at the beginning of next week and agreed to report to Mr. Robertson on the conversations.

L.B. P[EARSON]

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632. DEA/50052-A-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], April 9, 1956

VIETNAM — WITHDRAWAL OF THE FRENCH EXPEDITIONARY CORPS

On April 3 the South Vietnamese Government sent to the United Kingdom a note on this subject, the text of which we have received from Earnscliffe in CRO telegram No. 654 of April 3 (copy attached). The substance of this note was made public in Saigon on April 6.[19]

The United Kingdom has been trying for some time to get from the Diem Government a statement to the effect that it would carry out the terms of the Cease Fire Agreement after the dissolution of the French High Command. While it was expected that the Diem Government would probably not agree to accept responsibilities under the Cease Fire Agreement as legal successors to the French High Command, it was hoped that the Diem Government would accept *de facto* responsibilities in a manner which might obscure or gloss over their refusal to accept full legal responsibilities. You will note, however, that the statement falls short even of this, and the Diem Government has undertaken only to "uphold existing conditions of the present state of peace".

While the nature of the declaration was under discussion between the British and the South Vietnamese we informed the British that a declaration along the lines contemplated would probably not serve to meet the requirements of the situation, since it would involve, with the dissolution of the French High Command, the disappearance of a legally responsible party to the Cease Fire Agreement in the South. After receiving the text of the declaration late last week, we sent off comments on the Diem declaration to London for transmission to the Foreign Office indicating our view that the declaration was unsatisfactory (see our telegram No. Y538 of April 6, Copy attached).

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[19] La note du Vietnam du Sud est reproduite dans *Documents relating to British Involvement in the Indo-China Conflict, 1945-1965*, Document 49, pp. 95-96.
The South Vietnamese note is reprinted in *Documents relating to British Involvement in the Indo-China Conflict, 1945-1965*, Document 49, pp. 95-96.

The United Kingdom recognized that the declaration would probably not be satisfactory to us or the Indians, and have instructed their ambassador in Saigon to try to obtain from Diem a confidential letter which would state his declaration really meant that he was prepared to carry out the remaining obligations under the Cease Fire Agreement. While it has been the intention that the contents of this letter might be made known to Mr. Gromyko if necessary, it now appears unlikely that the Vietnamese would permit its use in this way. The letter, therefore, would be merely for the reassurance of ourselves and the Indians.

On Wednesday, April 11, Lord Reading will begin consultations with Mr. Gromyko concerning Vietnam, and is faced with the rather difficult task of persuading him that the Diem declaration is an adequate basis for maintaining the Cease Fire Agreement in Vietnam. To assist him in this the United Kingdom are seeking from us and from the Indians some statement which will indicate that we are satisfied that the declaration will do for this purpose and will enable the International Commission to carry on its functions. We have no precise information as to how an opinion from us is likely to be used in the Reading-Gromyko conversations.

We have informed Earnscliffe that we cannot baldly state that the Diem declaration "provides an adequate basis for maintaining the Cease Fire Agreement" but that we would try to devise some formula that might be of assistance to Lord Reading in his talks. We have also suggested that in the opening phases of his discussions with Gromyko, he might propose that the Co-Chairmen send a message to the Commission (in response to their request for directions in view of the forthcoming dissolution of the French High Command) requesting it to continue its supervisory task pending the outcome of the discussions. This temporary mandate to the Commission should serve to avoid difficulties arising from that quarter for the time being and might enable it to carry on an *ad hoc* basis for some time.

Attached for your approval if you agree is a telegram to London[20] giving the formula which Lord Reading might use in his conversations with Mr. Gromyko in referring to our view of the Diem declaration. If this is to reach Lord Reading prior to his conversations with Mr. Gromyko, the telegram should be despatched from Ottawa by noon April 10.

[R.M. MACDONNELL]
for Under-Secretary of State
for External Affairs

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[20] Voir/See Document 634.

[PIÈCE JOINTE/ENCLOSURE]

Le secrétaire d'État aux Affaires extérieures au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs to High Commissioner in United Kingdom

TELEGRAM Y-538 Ottawa, April 6, 1956

CONFIDENTIAL. IMPORTANT.

Reference: London telegram No. 401 of April 4.†

Repeat Washington Y-635; for information Hanoi Y-120 and Paris.

VIETNAM — PROPOSED DECLARATION BY DIEM

We have seen the proposed Diem declaration and do not find it satisfactory, since it does not provide for *de jure* or *de facto* acceptance of responsibilities under the Cease Fire Agreement, and points inevitably to the conclusion that with the dissolution of the French High Command there will no longer be a legally responsible party in the South. We would be surprised if the Indians should find it acceptable, and even more surprised if the Russians and the Viet Minh should do so.

2. The assurances in the supplementary confidential letter would go a long way towards meeting our own preoccupations. The party who really requires written assurances, however, is the Viet Minh, and we find it hard to believe that they or the Russians would be satisfied with the sort of verbal assurances contemplated, even if they were informed of the existence and content of the confidential letter.

3. Following what we would expect to be an initial refusal by the USSR and the Viet Minh to accept the Diem declaration and supplementary verbal assurances as a satisfactory basis for continuation of the armistice, there may be a period — possibly quite lengthy and almost certainly extending well beyond the dissolution of the French High Command — during which further UK-USSR discussions and possibly consultations with the Geneva Conference Powers will take place. For the duration of this period the Commission will presumably be expected to carry on its work on an *ad hoc* basis. We are willing to attempt this provided the Poles and Indians will do likewise, though it may be necessary in this connection for the Co-Chairmen formally to request the Commission to do so. This could be done in response to the communication which the Commission is planning to send to the Co-Chairmen advising them of the notification it receives concerning the withdrawal of the French Expeditionary Corps and requesting directions.

4. If during this *ad hoc* period, while negotiations are nursed along for the achievement of a more permanent armistice régime, the South Vietnamese put on a convincing display of practical cooperation it may be possible to avoid serious trouble for some little time. Nothing would contribute more to the possibility of a comparatively stable *ad hoc* period than a convincing demonstration now of South Vietnamese cooperation. If as an earnest of their good intentions the Diem Government could be persuaded to clear up a number of outstanding cases and to permit some of the many stalled investigations to get under way within the next two or three weeks it would, in conjunction with the public declaration, undoubtedly go a long way towards convincing our colleagues on the Commission that it may be possible to make the armistice work in spite of the obduracy of the South Vietnamese on the question of legal responsibilities. Solid evidence of cooperation would be particularly valuable in connection with the Indians, who have recently shown them-

selves prepared to forgive a good deal on the legal side provided there is practical cooperation.

5. It will also be most important that during the *ad hoc* period the South Vietnamese avoid at all costs raising objections of principles i.e. that they should never refuse to take action required of them by the Commission on the grounds that they are not party to the Cease Fire Agreement and are not bound by its terms. If the South Vietnamese were ever to adopt this line, attention would inevitably focus on the impossibility of operating an armistice without a legally responsible and committed party in the South, and the Commission would have no alternative but to pass the problems on to the Co-Chairmen. The theme of the final paragraphs of the Fourth Interim Report — that the Commission cannot continue on this unsatisfactory basis — would quickly be revived.

Please pass the foregoing views to the Foreign Office.

For Washington: You may relay the foregoing to the State Department, pointing out that the United States advice to the South Vietnamese could be particularly helpful in connection with paragraphs 4 and 5.

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633. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance
pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM 114 Hanoi, April 9, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Our tel 109 Apr 6.†
By bag Saigon.

INTRODUCTION OF MILITARY PERSONNEL AND EQUIPMENT INTO SOUTH VIETNAM

1. At the request of Mr. Kenneth Young of the United States State Department, our Saigon representative had a conversation with him on April 6 about this subject.

2. With respect to the PAVN letter of February 29, it seems clear from this discussion that the United States (despite our reiterated plea that all possible cooperation was necessary if we wished to be in a position to counter PAVN allegations of violation of Articles 16 and 17) did not intend to offer any comments on the letter nor would they provide any information which might be of assistance.

3. Gauvin remarked to Young that it was essential we obtain all cooperation possible from the United States if we were to be able to properly counteract the PAVN allegations of violations by the South of Article 16 and 17. Otherwise the French might be cited for violation in the next interim report and, Gauvin added, that everyone would know that it was not really the French who were responsible but South Vietnam and that the United States might be mentioned as an accessory to the violation.

4. Apparently this did not move Young who made the obvious but not very helpful reply that neither the South nor the United States had signed the Geneva Agreement and that at any rate the North had violated and would continue to violate Articles 16 and 17. Gauvin then pointed out:

(a) that whatever one may suspect, the Commission had at no time been able to find the North guilty of violations of these articles,

(b) most allegations of violations had been and undoubtedly would continue to be directed against the South,

(c) many of the PAVN allegations had been possible solely because there existed no satisfactory procedure in the South for informing the Commission concerning the entry of military personnel and equipment.

5. Young then stated that the United States had no objection to the Commission being notified by either the South Vietnamese or by the French: but our representative pointed out that no information had been forthcoming from the Vietnamese. Perhaps this was caused by the fact that they were holding up this information since the French had not furnished them with details on the material which had gone out of Indochina in the past. In the result this left the way open for the PAVN to press extravagant charges as they had in the past. In concluding the interview, Young said, he was glad to know our views but made no promise that they would impress on the Vietnamese the necessity of furnishing the Commission with the necessary information.

[D.M.] JOHNSON

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634. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM Y-558 Ottawa, April 10, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Our telegram No. Y538 of April 6.

Repeat Washington Y-659; New Delhi Y-282; Hanoi Y-122; Saigon Y-85; Paris (Information).

VIETNAM — DIEM DECLARATION

In telegram No. 689 of April 7 CRO has requested Earnscliffe to obtain from us an indication of our views that the Diem declaration of April 3 provides an adequate basis for maintaining the Agreement on the Cessation of Hostilities in Vietnam after the dissolution of the French Union High Command on April 28 and that it will enable International Supervisory Commission to continue its task of supervising the provisions of this Agreement — this to assist Lord Reading in his talks with Mr. Gromyko on April 11.

2. We have told Earnscliffe that for the reasons set out in our telegram under reference we could not go that far, but that we would endeavour to devise a formula that might be of help on the assumption that the South Vietnamese produce the confidential letter of assurances along the lines now being sought by the UK Embassy in Saigon. Provided these assurances are received, we would have no objection to Lord Reading describing Canadian views to Mr. Gromyko in the following terms:

We assume that pending consideration of the French notice of the withdrawal of the French Expeditionary Corps (copy of which has been referred to the Co-Chairmen) the Co-Chairmen will wish the Commission to carry on its supervisory task, and will be notifying the Commission to this effect. In the present circumstances we think that the Diem declaration can provide a basis for maintaining the Agreement on Cessation of Hostilities in Vietnam after the dissolution of the French Union High Command on April 28, and on the assumption that the effective cooperation promised by the Vietnamese Government enables the Commission to carry out its functions and if similar cooperation is extended by the Democratic Republic, we are hopeful that the International Commission will be able to continue its tasks of supervising the carrying out of the provisions of the Armistice Agreement.

L.B. PEARSON

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635. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 691 Washington, April 11, 1956

CONFIDENTIAL

Reference: Our 672 Apr 9.†
Repeat London No. 60 and Paris No. 41 (Information).

VIETNAM — DECLARATION BY DIEM

Kattenburg at the Vietnam desk in the State Department told us on April 11 that a US response had been made to the second UK démarche concerning Diem's declaration which was dealt with in our telegram under reference.

2. Kattenburg explained that it had not been possible for the US Government to give the kind of affirmative statement which the UK démarche had requested. The US wished to be as cooperative as it could but did not feel it could in this instance go too far beyond the position which the Diem Government itself was prepared to take in the matter of the assumption of responsibilities for the Cease Fire Agreement.

3. The US response therefore had been along the following lines. The State Department indicated that the US Government regarded the Vietnamese declaration as a great step forward and as evidence of the Vietnamese Government's intention to cooperate with the free world in the maintenance of peace in the area. It was further the view of the US that the Vietnamese Government's expression of willingness to continue effective cooperation with the ICC, its willingness to assure the security of the Commission members, and its willingness to facilitate the activities of the Commission should enable the Commission to continue its task of supervising the armistice in Vietnam.

3. Kattenburg went on to say that the State Department had been particularly impressed with the Canadian views contained in your telegram Y635 of April 6, a copy of which we had left with the State Department on April 9. The State Department wished you to know it was seriously considering an approach to Diem on the basis of the ideas contained in paragraphs 3 and 4 of your telegram Y635. The main purpose of such an approach, if it were made, would be to recommend to the Vietnamese "a convincing display of practical cooperation" towards the Commission. Kattenburg said that he had already "hinted" to the UK Embassy that the State Department might find it possible to take an action on the basis of Canadian views which it had not been possible to agree to on the basis of the UK

démarche. Kattenburg said he would let us know if and when a decision in this respect were taken.

4. The latest development in this complicated subject, according to Kattenburg, was that the South Vietnamese had given the UK Ambassador in Saigon on April 10 a confidential "letter of clarification" which went some way towards meeting UK desires. Kattenburg read the text of this further letter to us quickly and, since we assume that you will be getting its full text from the UK, we shall not attempt to summarize what may be our imperfect understanding of it. We noted, however, that it did contain two difficult points in that,

(a) it said once again that the South Vietnamese Government did not recognize the Geneva Agreement and

(b) it contained a flat statement that in the South Vietnamese view the Joint Commission "ceases to exist of its own accord because of the dissolution of the French High Command".

5. We are inclined to believe that the State Department showed particular interest in Canadian views because they provide an easier basis for US representations to Diem than did the UK démarches. We did not fail to remind Kattenburg that Canadian thinking on this matter is tied to the gaining of further assurances from Diem than those contained in his letter of April 3 to the UK Ambassador.

6. We took the opportunity presented by our discussion to let the State Department know of your response to the UK contained in telegram Y659 of April 10.

[A.D.P.] HEENEY

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636. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM Y-680 Ottawa, April 12, 1956

CONFIDENTIAL. IMPORTANT.

Reference: Hanoi telegram No. 114 of April 9, repeated to you separately, and your tel. No. 691 of April 11.

Repeat London Y-580, Paris, Hanoi Y-125, Saigon Y-88, New Delhi Y-294 (Information).

VIETNAM: INTRODUCTION OF MILITARY EQUIPMENT AND PERSONNEL

We are very pleased indeed to note that the State Department is actively interested in the idea of promoting a convincing display of practical cooperation towards the Commission on the part of the South Vietnamese. The problem of notification of movements of term and MAAG personnel is particularly relevant in this connection, and to encourage the State Department to come further along the road towards cooperation on this subject, we think it would be a good idea to leave with them a memorandum on this subject, along the following lines:

(1) If maximum advantage is to be gained from the willingness of the South Vietnamese to extend effective cooperation to the Commission to the end of keeping the armistice operating in a practical way, action will be required by the Vietnamese on outstanding

cases where satisfactory answers to Commission entries have not been forthcoming or full performance of the provisions of the Agreement has been lacking as well as on new business which may develop in the future. In the Commission the cooperation of the South is likely to be judged as much on their handling of the existing backlog and making amends for past omissions as on their disposal of new cases. It will be difficult, of course, to explain away the absence of notification of movements of MAAG personnel in the past, but on the other hand if this is done now by the Vietnamese at a time when they are taking over practical responsibility for the implementation of Article 16(f) it will demonstrate very readily their willingness to give effect in a practical way to their promise of cooperation. In connection with this issue particularly it will be important for the South Vietnamese not to question their legal obligation to provide such information or to suggest that the fact that they are not signatories to the agreement explains the absence of notifications in the past.

(2) In the past we have been successful in frustrating PAVN attempts to get Commission support for broad propaganda charges against the South. The PAVN letter of February 29, however, which purports to adduce specific evidence of the violation of Article 16 in the South through the introduction of United States military personnel, cannot be dealt with in the same summary fashion as the earlier PAVN charges. It will be difficult to dispose of it in the Commission if the Commission is not provided with accurate information on the basis of which the PAVN charges can be refuted.

(3) We are sympathetic to United States misgivings arising out of the fact that it is easier for violations of Articles 16 and 17 to go undetected in the North than in the South. We are, of course, watching for any evidence of violations in the North, but up to the present it has not been possible to detect any actual outright violations. If the State Department has any new information we would be interested to hear of it. We are aware of the evidence that does exist of Viet Minh imports of arms during the period July-November 1954, and also know that French estimates of the existence of lightly armoured Viet Minh regiments and British deductions based on the size and nature of existing Viet Minh formations point to the presumptive conclusion that further illegal imports have taken place. We are hopeful that negative evidence arising out of Viet Minh obstruction of inspection team operations may some time enable us to suggest some of these presumptive conclusions in the Commission in the same sort of way as we were able to exploit negative evidence of this kind concerning Viet Minh frustration of freedom of movement in the Fourth Interim Report. The possibility of achieving any success on this line however will be ruled out entirely if there is much better presumptive evidence of evasion of the provisions of Articles 16 and 17 in the South, which will be the case if MAAG movements continue to take place without notification to the Commission by the authorities in the South.

(4) We welcome the United States decision in connection with TERM to comply with the notification procedures required by the Commission, and hope that they will see their way clear towards dealing with MAAG on the same basis. So far as the Commission is concerned, there is little doubt that the two cases will be regarded as the same in principle. It would not be understood if the procedures applied in the case of TERM were not also applied with respect to MAAG, and the advantage gained through the correct handling of the TERM personnel might be cancelled out if the PAVN were able to continue exploiting the MAAG situation.

637. DEA/8508-40

Extrait du procès-verbal de la réunion hebdomadaire des directions

Extract from Weekly Divisional Notes

SECRET Ottawa, May 7, 1956

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15. DEVELOPMENTS IN THE VIETNAMESE SITUATION

Far Eastern Division: The two representatives of the Co-Chairmen of the Geneva Conference, Lord Reading and Mr. Gromyko, who have been meeting in London, have concluded their discussions on the current difficulties in Vietnam arising from the withdrawal at the end of April of the French High Command. Before the conclusion of the discussions, they agreed upon the texts of messages to be sent to the International Supervisory Commission, the governments of North and South Vietnam and the French government. These letters, which were published May 10,[21] may well form the basis for some time to come for the continued implementation of the Cease-Fire Agreement.

The Co-Chairmen in their letter to the French government requested the continued good offices of the French in South Vietnam and asked that the French government negotiate with the South Vietnamese to reach an arrangement that will "facilitate the tasks" of the Commission itself and of the Joint Commission. (The Joint Commission consists of representatives of the two parties to the Cease-Fire Agreement and is responsible for facilitating the implementation of certain provisions of the Agreement. The South has so far refused to take over the French responsibilities on the Joint Commission.)

In their letter to the governments of North and South Vietnam the Co-Chairmen asked that "all possible assistance" be given the Commission in surmounting the difficulties arising from the French withdrawal. They also invited the views of each government on a time-schedule for consultations on, and the organization of, nation-wide elections for Vietnam.

In writing to the Commission the Co-Chairmen simply urged that the Commission persevere in its efforts to maintain and strengthen the peace in Vietnam on the basis of the Geneva Agreements and with a view to the reunification of the country through free, nation-wide elections. It further expressed the hope that many difficulties will in practice be removed, and suggested that those which cannot be resolved on the spot might be referred to the Co-Chairmen for further consideration.

The Commission itself has been wrestling with the problem of continuing its normal activities with no legally responsible party in the South and amid a disagreement within the Commission as to how many of its normal activities can be carried on without a functioning Joint Commission. As a result, two separate letters were sent to the Co-Chairmen on May 2, one from the Canadian Delegation supporting a flexible approach by the Commission to the technical and legal difficulties confronting it, and a majority message (Indians and Poles) pointing out specific difficulties arising from the lack of a working Joint Commission and asking the Co-Chairmen to find a solution.[22]

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[21] Voir/See United Kingdom, Parliamentary Papers, Cmd. 9763, *Vietnam and the Geneva Agreements*, London: Her Majesty's Stationery Office, 1956, Documents 4-6, pp. 10-12.

[22] Ces deux lettres n'ont pas été publiées. La lettre canadienne était basée sur les vues exprimées dans le document 634.
These two letters have not been published. The Canadian letter was based on the views expressed in Document 634.

The Co-Chairmen had received these two messages while the texts of their own letters were still under consideration but because of basic differences their reply did not give specific instructions for the solution of the problems cited in the Commission's letter. The deliberate vagueness of the instructions to the Commission (which ignore the legal and technical issues involved) implies, however, a request that the Commission take the initiative in finding *practical* solutions which would form a workable basis for the continued implementation of the Cease-Fire Agreement.

During the course of the discussions the United Kingdom representative persuaded the Soviet Co-Chairman to abandon the general communist demand for the calling of a new Geneva Conference on Indochina; an idea that has been steadily opposed by all the non-communist countries. To achieve this the British Co-Chairman was forced to compromise on the election issue and to allow the reference to North-South consultations on nation-wide elections in the letter to the two Vietnamese governments. The messages from the Co-Chairmen also implied the recognition by the Russians of the Diem government as spokesman for the South and gave evidence of Russian support for the emphasis on the continued maintenance of the Cease-Fire in Vietnam. (SECRET)

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638. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM INCHIN 139 Hanoi, May 10, 1956

CONFIDENTIAL. IMMEDIATE.

Repeat New Delhi, London, Washington and Paris (Information).
By bag Saigon, Phnom Penh, Vientiane and Canberra, Wellington from Ottawa.

VIETNAM — CO-CHAIRMEN'S DISCUSSIONS

The three Commissioners met privately today for a preliminary exchange of views about the three messages received from the Co-Chairmen. The Chairman received these messages from Delhi this morning. We had advance information about them yesterday from the United Kingdom Ambassador in Saigon.

2. Parthasarathi opened the discussion by asking me what action I thought the Commission should take. I spoke along the following lines:

(a) It is clear from the Co-Chairmen's messages that they expect the Commission to continue its normal activities during this interim period;

(b) From the penultimate paragraph of the message to the Commission it seems clear that the Co-Chairmen expect the Commission to make practical decisions to deal with difficulties as they arise and only refer to the Co-Chairmen difficulties which cannot be settled on the spot;

(c) Hence the Commission should at once resume its normal activities and deal with all pending items on the agenda. No message from the Commission to the Co-Chairmen was required at this time. If the Commission found that in practice it could not resolve some issue then that issue should be referred to the Co-Chairmen for consideration.

3. Parthasarathi said that he would require instructions from his government. His tentative views were that the Commission should send a message to the Co-Chairmen giving its interpretation of the Co-Chairmen's directions. This message might be along the following lines:

(a) The Commission would note that the Co-Chairman had requested it to carry on its activities on the basis of the Geneva Agreements;

(b) The Commission would also note that the Co-Chairmen have requested the authorities in the North and the South to carry out the provisions of both the Cease Fire Agreement and the political settlement and to give effective cooperation to the Commission;

(c) Some reference would have to be made to the fact that the Joint Commission was not functioning and that steps should be taken to make it operative;

(d) The note would refer to the last paragraph of the message to the French Government and conclude by saying that the Commission interpreted the Co-Chairmen's messages as a directive to proceed during the interim period on the basis of the *status quo* which existed before April 28, i.e. that the Commission could continue to deal with the French after April 28 as the "responsible party in the South".

4. Parthasarathi went some way to meeting expected French objections by saying that he would not insist upon the French formally acknowledging that they continue to be the legal party in the South. We would be satisfied with some phrase in the note which would indicate that the Commission would continue to address its communications to the French on the assumption that they were the responsible party in the South during the interim period.

5. I then asked Parthasarathi if he would agree that the Commission should, as from today, deal with the items on our agenda, pending the drafting of a message to the Co-Chairmen and pending any reply from them. You will see from my telegram 133 May 8† that the Commission has not since April 28 dealt with routine items on its agenda. There is now a backlog of about 65 items. Parthasarathi said that he would have to await instructions before he could deal with this point. He thought that the Commission, before dealing with routine items, should at least have agreed on a message to the Co-Chairmen giving the Commission interpretation of the Co-Chairmen's instructions. It might even be necessary to await a reply from the Co-Chairmen confirming the Commission's interpretation.

6. The Pole thought that the Commission should at once send a message to the Co-Chairmen along the lines sketched by Parthasarathi. He would, however, agree that once the Commissioners had settled on the text of a message to the Co-Chairmen the Commission should resume its normal activities without waiting for a reply. Michalowski thought that the Commission's message should make it clear that during the interim period the Commission considers the French to be the responsible party and that after the interim period the Commission considers that it can continue only on the basis that the South is the responsible party.

7. A meeting of the Commission has been agreed for tomorrow. Parthasarathi would hope to make a short statement saying that the Commission had taken note of the Co-Chairmen's communications and that the Commissioners were considering what action should be taken.

8. I added that I might wish to make a short statement to the effect that the Canadian delegation thinks that the Commission, on the basis of the Co-Chairmen's communications, should now deal with standing items on the agenda.

9. We should be grateful to have your instructions as a matter of urgency. Because of the views of my two colleagues, it seems inevitable that the Commission will send another note to the Co-Chairmen and that at least until this message is sent the Commission will deal only with urgent matters. Hence the sooner a message is drafted to the Co-Chairmen the quicker the Commission will resume normal activities. My objection to Parthasarathi's suggested message to the Co-Chairmen is that if the French reply to the Co-Chairmen's message by saying that they will offer their "bons offices" but accept no legal responsibility, then the arrangements for the interim period would break down. However I am not quite sure what the Co-Chairmen meant by asking the French Government during the interim period to preserve the *status quo*. If the Co-Chairmen meant that the French should continue to be legally responsible for the execution of the Cease Fire Agreement, including representation on the Joint Commission, and if the French agree, then of course there is no difficulty.

[D.M.] JOHNSON

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639. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM Y-159 Ottawa, May 11, 1956

CONFIDENTIAL. MOST IMMEDIATE.
Reference: Your INCHIN #139 of May 10.
Repeat Saigon, New Delhi, London, Paris and Washington (Information).

VIETNAM — CO-CHAIRMEN'S DISCUSSIONS

You are entirely correct in continuing to press the view that the Commission should get on with its routine tasks. We are disturbed that your colleagues should be insisting on a further message to the Co-Chairmen, which in our view is unnecessary and may prove harmful. The present messages from the Co-Chairmen represent the maximum agreement attainable at present, and it might take weeks to get anything further from them: it would be dangerous for the Commission to discontinue its normal work whilst awaiting a further reply. If your colleagues insist that a message must be agreed upon before normal activities are resumed, you may go along with them provided you are satisfied that it is quite innocuous, but you should not hesitate to hold matters up for reference to Ottawa if you think the message might cause difficulties.

2. The trouble with such a message is that the Poles and Indians may continue their attempt to use the Joint Commission problem as a means of seeking to force a clear definition of the identity of the "responsible" party, whereas the success of the present venture probably lies in keeping this point obscure. Accordingly we suggest that you resist attempts to have this matter clearly set out in any message which your colleagues insist upon sending. The Commission should simply proceed on the assumption that communications sent to the authorities in the South will be acted on in a responsible manner. By empirical means the Commission will (we hope) thereby find out that there is in fact a responsible party in the South, even if it refuses to identify itself as such.

3. The Foreign Office has indicated in a message to Stephenson that in paragraph 4 of the message from the Co-Chairmen to the French Government, the reference to preserving the *status quo* should be interpreted to mean preserving the *status quo* on the date of the message until the French and Vietnamese have reached agreement on arrangements acceptable to the International Commission, and that it is hoped that this might only be a matter of days. It is important that the Commission should be as cooperative as possible on this score and that it should not insist on arrangements so precise on their legality as to force a breakdown. It is most important that the Poles should not be enabled to exploit differences between the French and the Vietnamese and that the Indians be induced to take a practical rather than a legalistic approach, keeping in mind the necessity of making the new arrangements work, or at least of giving them a fair trial.

4. We have instructed London to pass your telegram under reference to the Foreign Office, in the hope that their representations in New Delhi will succeed in inducing the Indians to take a more forthcoming and practical approach to the situation.

For London: You may inform the Foreign Office of the foregoing.

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640. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-1 Ottawa, May 14, 1956

CONFIDENTIAL. MOST IMMEDIATE.

Reference: Your INCHIN 141† and 142† of May 11, 1956.

Repeat New Delhi, London (Immediate), Saigon, Washington and Paris (Information. Routine).

VIETNAM — CO-CHAIRMEN'S DISCUSSIONS

Parthasarathi's draft message appears to represent no advance over the majority Commission note of May 2 to the Co-Chairmen and is in effect a further attempt to secure recognition of the Indian-Polish conditions for the resumption of Commission activities. As the Co-Chairmen are unlikely to take any action on this note it will in effect be a communication to the French, as indicated in paragraph 2 of your 142. In view of this we are concerned about the last sentence of Parthasarathi's paragraph 4, which seems to imply continuing French responsibility in so clear a manner as to invite a French disclaimer and hence a further delay in the resumption of the Commission's normal activities. We would have no objection to your delaying agreement to any message drafted in these terms in the hope that UK representations in New Delhi will result in instructions to Parthasarathi to adopt a more forthcoming attitude.

2. Parthasarathi's draft makes no reference to the arrangements which the Co-Chairmen have invited the French to work out with the Vietnamese, and the reference to the *status quo* implies that this is the only basis on which the Commission is prepared to continue functioning. There is no justification in the Co-Chairmen's message to the Commission for such an attitude, since the Co-Chairmen merely expressed the hope that the Commission

would persevere in its efforts to maintain and strengthen peace in Vietnam, without attaching any conditions or provisos of this kind.

3. We would not wish the Commission to plunge itself into another crisis like the present one when the French and Vietnamese have worked out their arrangements for facilitating the work of the International Commission and the Joint Commission. Accordingly we think the message should indicate that both during the interim period of the *status quo* and subsequently under such new arrangements as the French and Vietnamese may work out the Commission will persevere in its efforts to maintain and strengthen peace. If the arrangements prove *in practice* to be unsatisfactory the Commission will still be in a position to refer its troubles to the Co-Chairmen in accordance with the their standing invitation.

4. We agree with your support for a short message (if a message is unavoidable) and regard paragraphs 2 and 3 as unnecessary. We would like to see paragraph 4 amended along the lines suggested above and agree to your suggested change in paragraph 5. We see no strong objection to the language employed in the introductory sentences of paragraphs 3 and 4.

5. We suggest you keep in close touch with UK offices in Hanoi or Saigon to keep posted on success of UK representations in New Delhi.

For London: Please inform Foreign Office of telegrams under reference and this reply.

For New Delhi: You may inform UK High Commissioner's Office of telegrams under reference and this reply. If you think it might be helpful you may at your discretion support UK representations to the Indians.

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641. DEA/50052-A-40

Le commissaire par intérim de la Commission internationale
de surveillance pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Acting Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM INCHIN-147 Hanoi, May 15, 1956

CONFIDENTIAL. MOST IMMEDIATE.

Reference: My tels 146 May 14,† 142 May 11.†

Repeat Saigon No. 135; New Delhi No. 45; London, Washington and Paris (Information). By bag Vientiane, Phnom Penh and Canberra, Wellington from Ottawa.

VIETNAM — CO-CHAIRMEN'S DISCUSSIONS

My immediately following telegram contains the text of a revised Indian draft message which Parthasarathi would like to send to the Co-Chairmen. This text has been approved by New Delhi. The Acting Polish Commissioner has not indicated whether he will be able to support the revised text.

2. Parthasarathi is anxious to deal with this message on Thursday, May 17th.

3. As you will note, the new text is a considerable improvement on the text which we sent you in our telegram 141 of May 11th.† The operative sections of the message follow more closely the language of the message from the Co-Chairmen to the Commission.

4. The final paragraph of the revised text informs the Co-Chairmen that the Commission has forwarded a copy of this message to the French authorities in South Vietnam informing

them that the Commission will continue to deal with them as hitherto. Parthasarathi asked me to explain to you that since the Co-Chairmen asked the French to preserve the *status quo* pending the working out of solutions to the practical problems, the Commission, in telling the Co-Chairmen that it will continue to deal with the French, is only following the instructions of the Co-Chairmen.

5. In paragraph 3 of your telegram Y159 of May 12 you gave us the interpretation which the Foreign Office has placed on the term *status quo*. Parthasarathi seems to be under the impression that the *status quo* refers to the situation as at April 28. I have not (repeat not) disabused him of this. I infer from what he has said that from his point of view, when the Commission deals with the French during this interim period, it is doing so on the understanding that the French are the responsible party. This point, however, is not made clear in the revised Indian note and from our point of view there may be something to be said for leaving it vague. It seems to me that the important consideration is to get the Commission to resume its normal activities. Once the Commission has sent a message to the Co-Chairmen, Parthasarathi is prepared to have the Commission resume its normal work.

6. I would recommend that we go along with the revised Indian text. As long as the French did not inform the Commission that they are not dealing with the Commission on the basis of the *status quo* as at April 28, we should encounter no major difficulties. It would, I think, be difficult for Parthasarathi to have the Commission reverse gears once it had embarked on its normal activities.

7. I should appreciate as a matter of urgency and preferably before May 17th your instructions.

[B.M.] WILLIAMS

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642. DEA/50052-A-40

Le commissaire par intérim de la Commission internationale
de surveillance pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Acting Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM INCHIN-148 Hanoi, May 15, 1956

CONFIDENTIAL. MOST IMMEDIATE.

Reference: My immediately preceding tel.
Repeat Saigon No. 136; New Delhi No. 46; London, Washington and Paris (Information).
By bag Vientiane, Phnom Penh and Canberra, Wellington from Ottawa.

VIETNAM — CO-CHAIRMEN'S DISCUSSIONS

Herewith text of new draft message to the Co-Chairmen which Parthasarathi has received from New Delhi.

"The International Commission for Supervision and Control in Vietnam has the honour to acknowledge receipt of the communication dated May 9/56, from the Co-Chairmen of the Geneva Conference and the copies of the messages sent by the Co-Chairmen of the Government of the Democratic Republic of Vietnam, Republic of Vietnam and to the French Government.

2. The International Commission notes that the Co-Chairmen have received the Commission's message dated May 2/56, and also the separate note of the same date from the Canadian member of the Commission.

3. The International Commission is grateful to the Co-Chairmen for their appreciation of the work performed by the Commission.

5. The International Commission for Supervision and Control in Vietnam notes and places on record that the Co-Chairmen have communicated to the Commission that:

"(a) *Reference to the holding of free general election for reunification of Vietnam*, the two Co-Chairmen attach great importance to the maintenance of the cease-fire under the continued supervision of the International Commission for Vietnam;

"(b) they recognise that the dissolution of the French Union High Command has increased the difficulties of the International Truce Supervisory Commission in Vietnam in carrying out the functions specified in the Geneva Agreements which are the basis for the Commission's activities;

"(c) these difficulties must be overcome; and

"(d) the Co-Chairmen are confident that the authorities in both parts of Vietnam will show effective cooperation and that these difficulties in practice will be removed."

5. The International Commission for Supervision and Control in Vietnam notes and records that "prompted by the desire to strengthen peace in Indochina on the basis of the principles and provisions of the Geneva Agreements, the Co-Chairmen have strongly urged that the authorities of the Democratic Repubiic of Vietnam and those of the Republic of Vietnam

(i) to make every effort to implement the Geneva Agreements of Vietnam;

(ii) to prevent any future violation of military provisions of these agreements;

(iii) and also to ensure the implementation of the political provisions and principles embodied in the Final Declaration of the Geneva Conference".

6. The International Commission further notes and records that "to this end the authorities of both parts of Vietnam are invited to transmit to the Co-Chairmen as soon as possible either jointly or separately their views about the time required for the opening of consultations on the organization of nation-wide elections in Vietnam, and the time required for holding of election as a means of achieving the unification of Vietnam".

7. The Commission further notes with appreciation that "the Co-Chairmen strongly urged the authorities in both parts of Vietnam to give the Commission all possible assistance in future in the exercise of their functions as defined by the Geneva Agreements on Vietnam".

8. The International Commission hopes that the authorities in both parts of Vietnam will respond fully to the urgent appeal of the Co-Chairmen and will undertake the obligations under the provisions of the Geneva Agreements and discharge them fully.

9. The International Commission for Supervision and Control in Vietnam notes that the Co-Chairmen have informed the French Government that "they recognize that the dissolution of the French Union High Command has created problems for International Truce Supervisory Commission that requires serious attention" and have invited the French Government "to discuss this question with the authorities in South Vietnam with a view to reaching an arrangement that will facilitate the work of the International Truce Supervisory Commission and of the Joint Commission in Vietnam" and that the two Co-Chairmen have asked that "till arrangements envisaged above are put into effect the French Government should preserve the *status quo*."

10. The International Commission for Supervision and Control in Vietnam will, as requested by the Co-Chairmen, "persevere in an effort to maintain and strengthen peace in Vietnam on the basis of the fulfilment of the Geneva Agreements on Vietnam with a view to the reunification of the countries through the holding of free nation-wide election in Vietnam under the supervision of an International Commission".

11. The International Commission for Supervision and Control in Vietnam notes with appreciation the decision of the Co-Chairmen that they are to be informed "if the Commission encounters any obstacle or difficulty in their activities that cannot be resolved on the spot, the Co-Chairmen would be grateful to be informed so that they may consider whether any further measures are required to facilitate the work of the Commission".

12. The International Commission for Supervision and Control in Vietnam has forwarded a copy of this message to the French authorities in South Vietnam informing them that the Commission will continue to deal with them as hitherto. A copy each has also been forwarded to the Government of the Democratic Republic of Vietnam and to the Government of the Republic of Vietnam". Text Ends.

[B.M.] WILLIAMS

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643. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire par intérim de la Commission internationale
de surveillance pour le Vietnam

Secretary of State for External Affairs
to Acting Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-9 Ottawa, May 18, 1956

CONFIDENTIAL. MOST IMMEDIATE.

Reference: Our telegram to London YY-6 of May 16/56.[23]

Repeat London, Washington, Paris, New Delhi and Saigon (Information. Routine).

VIETNAM — CO-CHAIRMEN'S DISCUSSIONS

London's reply† to our telegram under reference indicates that Foreign Office do not know whether their representations in New Delhi are likely to result in any further modification of Indian draft message as reported in your 148. The UK agrees that some modification of paragraph 12 of the draft message is desirable, and have suggested the insertion of a phrase such as "for the time being" after the word "continue" in the first sentence of paragraph 12.

2. You might inform Parthasarathi that we continue to be of the view that the Commission's activities should be resumed without delay, but that we are willing to go along with the Indian proposal for message to the Co-Chairmen subject to some amendments to present draft. You might point out that we believe Co-Chairmen's message should enable Commission to carry on, dealing with the French for the present and dealing with the South Vietnamese as soon as the latter work out with the French arrangements for taking over direct contacts with Commission, — arrangements which the Co-Chairmen have urged the French to work out with the Vietnamese. The message must, in our view, at least

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[23] Non retrouvé./Not located.

leave open the prospect that Commission will carry on its functions in both circumstances. We recognize of course that Commission need not bind itself in advance to accept any arrangements worked out, and this is not what we are seeking; but we cannot accept a message which will cover only present interim period, which after all could be quite short.

3. Accordingly we suggest that last phrase of first sentence of paragraph 12 be amended to read "informing them that the Commission will continue to perform its supervisory functions, dealing with them for the time being until other arrangements are worked out for facilitating the work of the International Commission." Alternatively if the Indians decline this wording, we would be prepared to see phrase dropped entirely, so that last paragraph would read "the International Commission has forwarded a copy of this message to the French authorities in South Vietnam, to the Government of the Democratic Republic of Vietnam and to the Government of the Republic of Vietnam". As a minimum, if Indians insist on keeping present phrase in, we would be prepared to accept "informing them that the Commission will continue to deal with them for the time being".

4. It is not possible at this stage to envisage what sort of arrangements French and Vietnamese are likely to work out, but we doubt that there will be any clear cut shift of responsibilities. The most promising arrangements would be ad hoc ones introduced gradually, reaching a point where the Vietnamese are in fact doing all business direct with Commission. If this is what occurs, we would wish Commission's relations with representatives of Southern zone to continue unbroken, whether they are French or Vietnamese. We do not — and we are sure Co-Chairmen do not — want another crisis when the French drop entirely out of the picture.

5. You might tell Parthasarathi that we do not like any more than the Indians the rather muddled way things are working out, but as we see it Commission can make its best contribution to maintenance of peace by working towards practical solutions and avoiding trying to pin legal responsibility on governments that will not own it publicly. If Co-Chairmen are prepared to accept empirical solutions at this stage the Commission should at least be prepared to give them a fair trial.

6. Another amendment we would like to see made — though you need not insist on it — is to paragraph 8, last clause of which does not reflect any language in Co-Chairmen's messages and may provoke South Vietnamese into reiterating their well-known views, which at this stage might be unfortunate. We would like to see this amended to read "will respond fully to the urgent appeal of the Co-Chairmen and will make every effort to implement the Geneva Agreements on Vietnam".

7. We have just seen text of telegram 772 from UK High Commissioner in New Delhi to CRO (repeated to Saigon and Hanoi) which indicates that Desai thinks Commission before resuming normal activities should make clear to all parties basis on which it is prepared to continue and that he appreciates that interim period referred to in Co-Chairmen's message to French Government is intended to be short. There is nothing that suggests that he would object to amendments we have recommended above or that Indians want another agonizing reappraisal when the French and Vietnamese have worked out their arrangements. Accordingly you should press hard for the amendments: if Parthasarathi will not accept them or will not refer to New Delhi for further instructions you might tell him that we will be compelled to resort to a minority note again.

8. As procedure suggested in paragraph 12 of Parthasarathi's note will involve a note to the French, you will have to take care that it is drafted in such a way as to meet our position as outlined above.

For London: You may inform Foreign Office of the foregoing.

644. DEA/50052-A-40

Le commissaire par intérim de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Acting Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM INCHIN-159 Hanoi, May 22, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Your tel YY9 of May 18.
Repeat Saigon No. 142; London, Washington and Paris (Information).
By bag New Delhi and Canberra, Wellington from Ottawa.

VIETNAM — CO-CHAIRMEN'S DISCUSSIONS

1. Your telegram under reference was of great assistance to me. At a series of meetings yesterday with Parthasarathi I got him to agree to a revision of paragraph 12 of the revised Indian note (our telegram 148 of May 15) along the lines of the last sentence of your paragraph 3. I had told Parthasarathi that I would go along with a letter to Hoppenot, the substantive part of which would read "The International Commission will continue to deal with the French authorities in South Vietnam for the time being on the basis of the message from the Co-Chairmen to the French Government". Parthasarathi undertook to sell these to the Pole.

2. When I saw Parthasarathi at a social gathering last evening he told me that he was thinking of eliminating paragraph 12 in its entirety from the revised draft message.

3. This morning Parthasarathi asked me to see him and, when did, he gave me what he claimed to be proposals from Delhi for the revision of paragraphs 8 and 12 of the draft message. Delhi has amended paragraphs 8 and 12 as follows:

(a) Paragraph 8 delete all words following "Co-Chairmen"

(b) Paragraph 12 to read "The International Commission for Supervision and Control in Vietnam is forwarding a copy of this message to the French authorities in South Vietnam and also the authorities of the Democratic Republic of Vietnam and the Republic of Vietnam and will continue to deal with the parties concerned on the basis of the *status quo* 'until arrangements that will facilitate the work of the International Supervisory Commission and of the Joint Commission in Vietnam' envisaged in the Co-Chairmen's message to French Government 'are put into effect'".

4. Paragraph 8 satisfactory to us. Delhi's suggested redraft of paragraph 12 seems to me to be considerably less so.

5. As I see it, the phraseology "continue to deal with the parties concerned on the basis of the *status quo*" contains serious implications for the French. If there were general agreement on the phrase *status quo* this paragraph might not create too much trouble although the use of "continue" and "the parties" implies more than the French would swallow. From what I can make out, however, from Parthasarathi, while the Indians are no longer insisting on a legal party in the South, they are anxious to have a responsible party. *Status quo* to them means, I think, not only the maintenance of the entire machinery for the implementa-

tion of the Cease Fire Agreement, but also the identification in some fashion of a "responsible party".

6. It may be that you will consider Delhi's redraft of paragraph 12 satisfactory, particularly if the French did not consider it necessary to reply. However, in the absence of further instructions from you by noon hour tomorrow, Wednesday May 23, I will tell Parthasarathi that I cannot go along with the message and that we will submit a minority note to the Co-Chairmen.

7. You are probably getting a little fed up with the time limits with which India has been facing you. Parthasarathi now wants to have the revised draft message dealt with by the Commission tomorrow afternoon so that it can go down to Saigon by courier on Thursday morning, May 24.

8. Parthasarathi does not now plan to send any separate letter to the French authorities.

[B.M.] WILLIAMS

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645. DEA/50052-A-40

Le commissaire par intérim de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Acting Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM INCHIN-168 Hanoi, May 27, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: My tel 159 May 22 and 166 May 25.†

Repeat Saigon No. 154; New Delhi No. 54; London, Paris and Washington (Information). By bag Vientiane, Phnom Penh and Canberra, Wellington from Ottawa.

VIETNAM — CO-CHAIRMEN'S DISCUSSIONS

Parthasarathi telephoned afternoon today to tell me that Delhi had told him to proceed with the message to the Co-Chairmen (my telegram 148 May 15 as amended by paragraph 3 of my telegram 159 May 22).

2. Parthasarathi said further that the Polish Acting Commissioner had been authorized by Warsaw to support the message "even though they did not like it". The Pole apparently was also instructed not to have the Commission take note of (a) the letter from the French Government to the Co-Chairmen and (b) Mau's letter to Selwyn Lloyd of

May 22.[24] Parthasarathi asked me whether I was prepared to agree to the message. I replied in the affirmative.

3. At a meeting of the Commission this afternoon the message to the Co-Chairmen was approved. The Commission has now resumed its normal activities and a regular meeting of the Commission will be held on Tuesday May 29.

4. My decision to agree to the message was based on your approval of paragraph 12 in your telegram YY19 May 23.† I also reasoned that if on May 25 my two colleagues had been prepared to approve the message it would have been approved [without] our support.

5. I spoke briefly at our meeting this afternoon. I congratulated the Chairman on achieving unanimity in the method by which the Commission should resume its normal activities. I added that I had nothing further to say beyond that which Mr. Johnson had placed on the record at the 301st meeting on May 11 when he said "The Canadian delegation did not consider it necessary to have an interruption in the activities of the Commission after April 28". I concluded by expressing the hopes that the parties will respond to the appeal of the Chairmen and "show effective cooperation".

6. I will send you copies of the message to the Co-Chairmen by bag on Wednesday.[25]

[B.M.] WILLIAMS

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[24] Dans sa lettre, Mau a réaffirmé que la République du Vietnam déclinait toute responsabilité légale aux termes de l'Accord de cessez-le-feu, mais promettait une « coopération efficace ». La lettre est reproduite dans Allan W. Cameron, *Viet-Nam Crisis: A Documentary History*, Volume I:1940-1956, p. 439. Lors d'une série de négociations difficiles, à l'été 1956, les autorités françaises et sud-vietnamiennes ont arrêtés les détails de la « coopération efficace » de Saigon. En vertu de cet arrangement, le gouvernement de la République du Vietnam a mis sur pied une mission de liaison avec la CISC. Pour de plus amples informations, voir United Kingdom, Parliamentary Papers, Cmnd 335, *Seventh Interim Report of the International Commission for Supervision and Control in Vietnam*, 1 August, 1956 to 30 April, 1957, London: Her Majesty's Stationery Office, 1957, pp. 5 à 6 et 21 à 22.

Mau's letter restated South Vietnam's refusal to accept any legal responsibilities under the CFA but promised "effective cooperation." The letter is reprinted in Allan W. Cameron, *Viet-Nam Crisis: A Documentary History*, Volume I:1950-1956, p. 439. In a series of difficult negotiations conducted during the summer of 1956, the French and South Vietnamese authorities worked out the details under which Saigon would provide "effective cooperation." Under this arrangement, the Government of South Vietnam set up a Liaison Mission with the ICSC. For details, see United Kingdom, Parliamentary Papers, Cmnd 335, *Seventh Interim Report of the International Commission for Supervision and Control in Vietnam*, 1 August, 1956 to 30 April, 1957, London: Her Majesty's Stationery Office, 1957, pp. 5-6 and 21-22.

[25] Le message est réimprimé dans *Documents relating to British Involvement in the Indo-China Conflict, 1945-1965*, Document 51, pp. 99-101.
The message is reprinted in *Documents relating to British Involvement in the Indo-China Conflict, 1945-1965*, Document 51, pp. 99-101.

646. DEA/50052-A-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], May 31, 1956

VIETNAM: ENTRY OF UNITED STATES "TERM" MISSION

Attached for your information is an Aide Mémoire on this subject which was left at the Department on May 30 by Mr. Tyler Thompson, the United States Minister, indicating that the first contingent of TERM personnel has been sent to Vietnam, before the Commission in Hanoi had dealt with the problem or given its approval.

Mr. Holmes recalled to Mr. Thompson that when this project was first mooted we gave it as our opinion that the entry of the TERM mission would not be in legal conformity with the provisions of the Cease Fire Agreement for Vietnam; but that when we discovered that the Indians were prepared to acquiesce in the mission, you had informed Mr. Dulles that we would not oppose the project in the International Commission. We were very glad indeed that the United States had negotiated directly with the Indians on this problem, and were sure that they appreciated that Indian support for the mission in the International Commission was essential if trouble was to be avoided. We would, of course, do what we could to ensure smooth sailing, but if the Indians were to raise difficulties now little could be gained by our taking a minority position. It was unfortunate that this problem should land on the Commission now, when it had just resumed normal activities and had not really found its feet in the new *ad hoc* arrangements for its operation.

You will note that the first sentence of the penultimate paragraph has been deleted. Mr. Thompson called us this afternoon to advise us that this deletion had been made at the request of the United States Ambassador in Saigon, who had pointed out that the deleted statement was a misinterpretation by the State Department of one of his telegrams.

We have some reservations about the statement in paragraph 4 of the Aide Mémoire that "The United States Government had early in April obtained the approval of the Canadian and Indian Governments for this operation ... ." This is perhaps a rather broad interpretation of our attitude, but we can see little advantage in taking exception to the statement.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Aide-Mémoire de l'ambassade des États-Unis

Aide-Mémoire by Embassy of United States

Ottawa, May 30, 1956

The following is a statement for the information of the Canadian Government of the United States position with respect to the sending of personnel of the Temporary Equipment Recovery Mission (TERM) to Vietnam.

The United States Government has just been informed that in a note dated May 26 addressed to the French Liaison Mission in Hanoi, the International Commission in

Vietnam informs the Vietnamese Government that the entry of an initial contingent of TERM personnel into Vietnam should be further delayed so that the Commission may complete its consideration of the matter prior to the arrival of this personnel.

The initial contingent of TERM personnel, consisting of 86 United States Army personnel now in flight between the United States west coast and Saigon, is due to arrive in Saigon on May 30. Unfortunately, it is now practically impossible to stop the movement of this initial increment into Saigon.

The United States believes the history of this matter attests that it has given full consideration to the wishes of the Commission's representatives regarding this question and has given ample time for the Commission to act. The United States Government had early in April obtained the approval of the Canadian and Indian Governments for this operation which, as the Secretary of State explained personally to Mr. Nehru and Mr. Pearson, involves very large United States interests. On April 8 the United States Ambassador to Vietnam informed the Indian Chairman of the Commission that the United States would delay the dispatch of TERM personnel to Vietnam for 30 days in order to obtain the approval of the International Commission itself. At the request of the United States the Government of Vietnam prepared a note on TERM, which was presented to the Commission by the French Liaison Mission, expressing the hope that TERM could enter Vietnam in the first part of May.

The Commission Chairman, however, advised the United States Ambassador on May 3 that, in view of continuing doubts concerning its own existence, the Commission could not act immediately on TERM and requested another month's delay in the arrival of personnel. Accordingly, the United States Government maintained a temporary ban on the departure of its personnel, which had already been assembled on the west coast in expectation of an early departure and which were immobilized at a not inconsiderable expense to the United States, pending early Commission approval of the project. The Indian representatives of the Commission in Saigon subsequently requested the United States to ask the Vietnamese Government to withdraw its note on TERM and submit a new note along lines they suggested. On instructions of the United States Government, the United States Embassy in Saigon informed the Indian and Canadian representatives of the Commission in Saigon on May 11 that the United States would ask the Vietnamese Government to submit a new note on TERM to the Commission, additional to the note originally submitted and incorporating substantially the language desired by the Indian representatives. The United States Embassy in Saigon also told the Indian and Canadian representatives on the same date that in view of the fact that the Geneva Co-Chairmen in London had by then reached agreement on the continuation of the Commission in Vietnam, the United States assumed the Commission would now be able to act immediately on TERM. The United States Embassy then informed the Indian and Canadian representatives that, in view of the urgency of this matter for the United States and the United States national interest involved, United States personnel would in any case begin arriving in Vietnam before the end of May.

In response, the Indian representative of the Commission in Saigon informed our Saigon Embassy on May 11 that he saw no reason to postpone the arrival of TERM personnel beyond the end of May, even though the ICC had not yet reached a decision on TERM.[26] The Indian Chairman of the Commission subsequently informed the United

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[26] Cette phrase a été rayée dans le document original.
This sentence was crossed out in the original.
La note suivante figurait en marge :/The following note appeared in the margin:
deleted at request of US Embassy 1:00 pm May 30/56. J.R. M[aybee]

States that a further delay in arrivals of TERM personnel until mid-June would be desirable. The Vietnamese Government, responsive to United States wishes not to delay the arrivals beyond the end of May, dispatched a new note to the Commission via the French Liaison Mission on May 15 stating that the "Government of Vietnam is giving its consent to the arrival of the first contingent of this personnel before the end of May 1956".

The United States Government has been obliged to send the first contingent of TERM personnel to Vietnam before Commission consideration of the matter has been completed. In proceeding with the dispatch of this initial personnel at this time the United States feels that it is acting in full accord with the policy concerning which the Indian and Canadian representatives in Saigon were informed in early May. The United States Government continues to hope that it will receive the approval of the International Commission in Vietnam for this operation and that the Indian and Canadian Governments will recognize the sincere wish of the United States to cooperate with the Commission.

T[YLER] T[HOMPSON]

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647. DEA/50052-A-40

Le commissaire par intérim de la Commission internationale de surveillance pour le Vietnam au sous-secrétaire d'État adjoint aux Affaires extérieures

Acting Commissioner, International Supervisory Commission for Vietnam, to Assistant Under-Secretary of State for External Affairs

SECRET. PERSONAL. Saigon, June 14, 1956

Dear John [Holmes],

In a very real sense, events have outstripped our thinking about the questions raised in your letter of March 23 to David Johnson. The French have departed without any real agreement on co-operation by the South being reached. The South, on the other hand, have given us assurances of a somewhat equivocal nature which our Indian and Polish colleagues find unsatisfactory. In the meantime, we have adopted the attitude that in this "as if" period we should carry on as before.

It is all very confusing. It probably will be even more frustrating. Against this background, it appears at most unrealistic, and at least, extremely difficult, to plot out the long-term course of action of the Canadian Delegation. After all, there is a possibility that the Commission may not exist much longer, and then we'd be left with a brand-new, never-used, long-range plan. Because of this, we've tried to answer your letter by two separate memoranda. The first deals with our plans for the immediate future. In summary, it asks simply, Do we want the Commission to continue? and, If we do, how do we act to ensure its continuance? When Parthasarathi starts being difficult, I'd feel much more comfortable if I knew exactly what our aims were. I hope your comments on the first memorandum will solve all our problems.

The second paper[27] deals with the possibilities of reducing the number of teams, assuming the Commission remains in existence. I do not think this is the time for reduction, but if the Commission remains on an even keel after July 20, you may wish to consider our suggestions for gradual reduction.

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[27] Non retrouvé./Not located.

You will, I hope, appreciate that in sending you these memoranda the Delegation as such is thinking out loud. You will probably find them much too long but I hope not lacking in decisiveness. The memorandum entitled "The Future of the Commission" may in places be too stark. This may be explained by our closeness to the problems.

Although I have signed these papers, you will quickly realize that Williams could not possibly have written these masterpieces. You are quite right. I am deeply indebted to my colleagues Bill Bauer and Si Taylor, whose knowledge about the Commission is so tremendous that it frightens me when I think that they will in time leave the Delegation.

If these memoranda annoy you and you consider them impertinent — then fire me. I take full responsibility for them.

Why not come out and visit us? I am more than ready to roll out a "red" carpet for you.

All the best.

Yours sincerely,
BRUCE WILLIAMS

[PIÈCE JOINTE/ENCLOSURE]

SECRET

Hanoi, June 14, 1956

Note du commissaire par intérim de la Commission internationale de surveillance pour le Vietnam

Memorandum by Acting Commissioner, International Supervisory Commission for Vietnam

THE FUTURE OF THE COMMISSION

Since we received Mr. Holmes' letter of March 23 the situation in Vietnam has become so fluid as to make any firm recommendations very difficult. The withdrawal of the French High Command, the rather vague instructions handed to the Commission by the Co-Chairmen, the less than explicit assurances of co-operation given by the authorities in South Vietnam, along with the Indians' apparent desire and the Poles' very clear wish to find a clearly responsible party in the South — all these have left us up in the air. Now the Chairman, Mr. G. Parthasarathi, speaks in terms of another Commission crisis as July 20 approaches.[28] If we are to meet new Indian and Polish arguments concerning the continued existence of the Commission, we shall need concrete guidance, not only about the Canadian interpretation of the Geneva Agreements, but also about Canadian aims in Southeast Asia.

2. We have given a great deal of thought to the question of whether to press for a reduction of the Commission's activities in Vietnam and to the methods by which this reduction could be carried out. We are of the opinion that the time is not ripe for a reduction, but if you think that the Commission should continue, and that its activities should be progressively reduced, then you may be interested in the memorandum on this subject which accompanies this one.

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[28] Le 20 juillet constituait la date butoir fixée par les Accords de Genève pour une élection dans tout le Vietnam.
July 20 was the deadline set by the Geneva Accords for an all-Vietnam election.

Do We Want the Commission to Continue After July 20?

3. It seems to us, however, that our basic problem is not so much whether we want the activities of the Commission to be reduced, but whether we want the Commission to exist at all after July 20.

4. Our decisions about the life of the Vietnam Commission presumably must be made within the context of Canadian aims in this part of the world. Our basic guidance on the subject of Canadian policy in Southeast Asia is contained in the letter of instructions which was sent to Mr. Lett by despatch No. Y-6 of August 27, 1954.[29] The memorandum of July 20, 1955 which provided further instructions for Mr. Johnson, did not amend paragraphs 13-16 of the original letter of instructions, and therefore we assume that these policy objectives still stand. The common denominator of the four policy objectives outlined in the letter of instructions seems to be holding the line against Communism. Canada wishes to maintain peace in Indochina to provide "the time and opportunity for a fresh effort to encourage the development of stronger independent and non-Communist states on the mainland of Asia". Canada wishes to encourage the development of SEADO, "as a safeguard against, and a deterrent to, overt Chinese Communist aggression in Southeast Asia". Canada wishes to contribute to the economic and social strengthening of Southeast Asian countries; such development would "help to eliminate conditions which foster the growth of Communism". Finally, Canadian policy aims at encouraging by sympathetic interest "the development of strong, independent, non-Communist régimes on the Asian mainland outside present Communist areas". Canadian hopes are that "the progressive achievement of full independence under the protection which the Cease Fire Agreements should afford, will enable Cambodia, Laos and Vietnam to resist effectively Communist attempts to take them over by means of infiltration and subversion".

"Judicial Impartiality" and Canadian Aims.

5. One can infer from these four policy objectives that Canada's main concern in Vietnam is not the fulfilment of the Geneva Agreements *per se*, but the maintenance of peace in Southeast Asia as a method of thwarting Communist ascendancy in the area.

6. Mr. Lett was instructed to maintain "an attitude of judicial impartiality", and Mr. Johnson's instructions were not amended in this respect. If the Canadian Delegation in Vietnam were to act strictly on these instructions, then it would have no alternative to letting the chips fall where they might. In fact, we have not been completely impartial, since in various interim Commission reports we have inevitably attempted to soften sections, particularly on 14(c), critical of the South and to emphasize the misdemeanours of the North. If, however, on the larger question of the Commission's future, the Indians were of the opinion that the co-operation given by the South was not great enough to ensure adequate fulfilment of the provisions of the Geneva Agreements, and if, by applying our standard of judicial impartiality we were impelled to agree with them, then we would have no choice but to go along with them if they recommended that the Commission terminate its functions.

7. On the other hand, if we believe our interests are best served by giving South Vietnam as much time as possible to build up its powers of resistance against both subversion and armed attack on the part of the Communists, and if we believe that maintenance of the Commission will provide the needed time, then we must do our utmost to keep the Commission alive, whether or not it is effective in administering the Cease Fire Agreements and the final declaration. Strict implementation of the Geneva Agreements thus becomes a goal secondary to the protection of South Vietnam. And by the same token, "judicial

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[29] Voir/See Volume 20, Document 752.

impartiality" becomes an attitude acceptable only so long as it does not conflict with our policy of thwarting Communist expansion.

The Practical Work of the Commission After July 20.

8. This approach, of course, seems to emphasize what you described as the symbolic function of the Commission, and plays down the need for any high level of efficiency in making sure the various provisions of the Geneva Agreements are implemented. However, it does not mean the Commission would ignore its own shortcomings and wink at violations of the Agreements; it simply would amount to the Commission's limping along as it has during the past year and accepting many unsatisfactory situations, rather than packing it up simply because it was not efficient enough. In our despatch No. 64 of February 10, 1956,† we discussed at some length the effectiveness of the inspection system in Vietnam. I think this assessment indicates that, if complete effectiveness is the standard of prestige, then the Commission has not accumulated as many laurels as we should like. It could be argued that if Canada lingered on another year in a semi-effective Commission, we would lose prestige, but I am inclined to disagree. I wonder how much prestige Switzerland and Sweden have lost because of their participation in the NNSC, whose performance certainly has been unhappier than the Vietnam Commission's?

9. I do not think the Commission would be completely ineffective in enforcing specific provisions of the Agreements, but continuation of the general frustration and demoralization inherent in such work would be at least open to question if some real purpose were not being served. It is, however, fairly certain that maintenance of the Commission would serve a purpose in both practical and symbolic terms.

10. In the practical field, it could continue to supervise the demilitarized zone and the demarcation line; to potter about with matters having humanitarian overtones (such as cases of civilian internees and prisoners of war); and to investigate some 14(c) and 14(d) cases. It would also continue to supervise the implementation of Articles 16 and 17; its effectiveness would not increase, but does this matter to us? The North presumably has obtained all the war material it needs for the moment (if only through Phuc Hoa), and in the event of hostilities could draw on supplies in South China. If the South succeeded in importing some material without detection, we probably would not feel too indignant.

11. However, in addition to these specific functions which the Commission could perform with a degree of effectiveness, there is the heart of the Cease-fire Agreement itself: the cease-fire. Probably the Commission by itself could not maintain peace in Vietnam, unless Peking and Moscow saw peace here as part of their global policy. However, the Commission does have some deterrent effect. Its presence makes it reasonably certain that armed aggression would be judged as such by Canada and, we would hope, by India. In addition, its very existence implies that the hope of an eventual unification of Vietnam (as provided for in Article 14 of the Cease-fire Agreement and Article 7 of the Final Declaration) is not dead.

The Commission as a Stabilizing Influence.

12. The surety symbolized by the Commission could be enough to stay any Northern inclinations to try to overthrow the Diem Government by internal revolt and-or armed attack across the 17th Parallel.

13. Thus, the Commission, both as substance and symbol, could add stability to the peace in Vietnam for at least a limited period of time. We could hope that after a year, South Vietnam would be in a position to protect itself against the North.

14. A summary of our argument to this point, therefore, would include the fact that Canadian policy involves a contribution to holding the line against communism and efforts

to ensure that the provisions of the Cease-fire Agreement are carried out. Both these objectives can best be achieved by continued Canadian participation in the Vietnam Commission and by maintenance of that Commission past July 20. The Commission, if continued past July 20, would be neither, completely effective nor completely ineffective in its practical functions, but probably would maintain level of effectiveness at least acceptable to us. As a symbol of world opinion and of the Geneva Powers, it would act as some deterrent against violent action on the part of North Vietnam. Although participation in the Commission probably would be frustrating and demoralizing, it is questionable whether Canada would lose any prestige.

Attitudes of the Other Delegations

15. We assume, therefore, that if a decision is made about the future of the Commission, Canada will decide, in principle at least, that the Commission should be kept alive for at least six months or a year. In practice, this decision cannot be taken by Canada alone, and the support of at least one of the other two Delegations is required. It is difficult to assess the aims of the Soviet bloc, and of the Polish Delegation in this respect, but our conditioning leads us to assume that we can expect no support from the Poles. We were interested in the various United States' ideas about Soviet motives, which were contained in Washington Telegram Inchin 815 of May 2, 1956,† and particularly in the suggestion that the Soviet Union, by doing nothing, may be seeking to cause the Commission to render itself inoperative, through the agency of the Indians. During the London talks the Soviets retreated a considerable distance from their original drafts, and the Co-Chairmen's messages certainly did not seem to fit in with Vietminh or Chinese wishes. The thought has occurred to us that the Soviet Union did not want to cause a breakdown of the London talks, and therefore did not press too hard for a new Geneva Conference or for the identification of a legal successor to the French. They either gave up these ideas entirely for the time being (which seems unlikely) or compromised in London on the assumption that the issue could be forced in Hanoi. During May the Polish Delegation did little more than go along with the Indians in tactics which at times made us wonder whether Delhi had decided to force a new Geneva Conference, new terms of reference for the Commission or a permanent end of the Commission. However, speculation of this sort is rather fruitless, and in the absence of any sure knowledge of Soviet objectives, we must assume simply that we cannot rely on the Poles for support of our proposition that the Commission should be kept in being without any substantial changes in its terms of reference.

16. That leaves us relying on the Indians for support, and I think it is fairly easy to predict the conditions which will be laid down by them for a continuance of the Commission's life. During the past six months we have heard a variety of arguments expressed by Mr. Nehru, Mr. Desai, Mr. Menon and Mr. Parthasarathi. The emphasis and the tone of these arguments have varied from person to person and from time to time, but there is a hard core which can be abstracted. The four points enumerated to Mr. Reid by Menon on May 30 (New Delhi telegram No. Inchin 353 of June 1st†) probably can be accepted as the Indian conditions. In our Telegram Inchin 189 we discussed the extent to which these conditions have been, or may be, met by South Vietnam. The South Vietnamese have indicated their willingness to respect the armistice and the demilitarized zone and this condition therefore does not present any apparent problem. Reports on the Franco-Vietnamese talks in Saigon indicate that difficulties are being encountered in the transfer from the French to the South Vietnamese of the responsibility for logistic support and financing, but I suspect that eventually this problem will be solved satisfactorily. The South Vietnamese, however, remained adamant in their refusal to participate in the Joint Commission and it will undoubtedly take strong medicine to get them to change their minds. (See our tel. Inchin

157 of June 11, 1956†). The Indians also place a great deal of emphasis on the need for the South to set a date on which it would start consultations about national elections. The Indians take a very serious view on this question of a political settlement and I think the South will have to make some gesture in this field before very long.

Difficulties in Meeting Indian Conditions.

17. I intend, later in this memorandum, to outline the action we could take in order to bring the Indians closer to our position, and at that point I shall refer again to the matter of the Joint Commission and the political settlement. First of all, however, I should like to discuss the day-to-day and long-range problems which confront us as we try to meet the general Indian condition which permeates their whole approach to the Commission and which inevitably must affect their policy about the life of the Commission after July 20. I refer to their insistence on greater practical cooperation from both sides, and particularly from South Vietnam.

17. [sic] As a control agency, the Commission has only the Cease Fire Agreement as its terms of reference. The Co-Chairmen have not produced any substitute for this Agreement, and until new terms of reference are given the Commission, it will be forced to continue operating in much the same way it has in the past. In these circumstances, it has appeared to us that the most attractive line we could take would be one in which we agree with the Indians on the need for more effective co-operation from both sides. This line keeps us and the Indians on the same track, but it is loaded with unpleasant possibilities.

18. Our first commitment to this position is in our minority note to the Co-Chairmen. You will have noticed the important stipulation with which paragraph 7 of the Note begins, that is only "on condition that the appropriate authorities on each side of the demarcation line co-operate effectively with the International Commission" that we believe the Commission can carry on. Since the Commission has resumed its normal activities, we have followed this line and seized appropriate opportunities during Commission meetings to stress for the record that in our opinion the Commission has entered on a period in which it must have better cooperation both from the North and the South than it has had in the past. I think that the Indians are finding this line fairly attractive.

19. When the Commission first resumed its normal activities, we had some reason to fear that the Indians were going to load the agenda with items designed to put pressure on the South to prove its good faith while ignoring the North's bad record. Because the North were already tied to the Agreement as a legal party, the Indians at first did not seem too anxious to press any of the issues pending against the North in which the North had failed to co-operate. However by emphasizing our impartiality, we seem to have got the Indians around to a point where on their own initiative they are putting items on the agenda which will force the North as well as the South to show its good faith. In the latest crisis over Phuc Hoa, for example, the Indians drafted an extremely stiff letter to the PAVN which far exceeded our expectations.

The Price of Indian Support.

20. If we are having a degree of success with the Indians however, it may well be that this success will prove in the long run to have been bought at the price of damaging the South more than the North. So far as 14(c) investigations are concerned, for example, we have made it quite plain that we are interested in seeing a number of investigations conducted in the South and that we are interested in having effective investigations, not investigations which will be stalled, as a number have been in the past ten months, or obstructed as teams were during the regrouping. We kept in mind, in adopting this policy, that you have always insisted that the South should do something to clear up the backlog of 14(c)

cases, and that we had committed ourselves in the Fifth Interim Report to an expression of "serious concern" at the Commission's inability to deploy mobile teams on 14(c) investigations. Another factor which influenced us is that we have had some indications from the South that they will be prepared in the next few months to let a few teams go out. We still do not know just how many, and we are still not too optimistic about how much success they will have. However, the Indians are telling us in private that they realise as well as we do that there is a tremendous practical problem involved in attempting at this stage to investigate the vast number of complaints the PAVN has made since last August. They say that they would be prepared to consider some form of reduction if one or two successful investigations were carried out, and if it were proved as a result of these investigations that the PAVN's charges are largely propaganda.

21. What I am afraid of is that the PAVN's charges may very well not be propaganda. We have to remember that the South's record under Article 14(c) during the regrouping was extremely bad, and that the Diem Government has been conducting all along a vigorous anti-communist campaign. We may therefore find that, if we send teams out, their investigations will only show that violations of Article 14(c) have been taking place in the South and that the PAVN's charges are by no means all propaganda. If this happens, then it will be practically impossible to argue that 14(c) investigations should be dropped or reduced; the logic of such a situation would be rather that the Commission's activities under 14(c) should be increased.

22. I am also extremely worried that there will be trouble in the next three or four months about the various United States missions in South Vietnam. So far as MAAG is concerned, we have no reason to believe that there is anything sinister about their activities. However, the comings and goings of their personnel continue to cause us trouble because we have still not been able to get the United States, the French and the South Vietnamese to work out effective notification procedures despite the fact that we have been trying to do so since last November. With the approval of the TERM project, this problem will be seriously magnified. While it can be argued that MAAG comes within the terms of the cease-fire because it was here before the war ended, TERM can only be admitted to Vietnam as an exception to the provisions of the cease-fire. Therefore from the very beginning it has been more important for TERM to be on its best behaviour than it ever was for MAAG. In the face of this situation it is disturbing to have evidence that TERM will undertake activities of which the Commission does not approve. If the United States is as casual about fulfilling the Commission's conditions for the entry of TERM as they have been about smoothing out the notification problem, then it will be practically impossible for the Indians and ourselves, no matter how much we might wish to, to avoid finding violations of the Agreement or sending mobile teams out to find out what TERM is doing. To a certain extent, the Pole is already making difficulties, and I have a feeling that the next few months will see as much trouble over Articles 16 and 17 on account of U.S. activities in the South as we have had in the past over Article 14.

The Difficulty of "Shaping the Record".

23. If I am right in these gloomy predictions, then after a number of months the South's record will look very black indeed. It is true that in the meantime, we may have had some success in persuading the Indians to take a lead in forcing the North as well as the South to prove its good faith but I think I should warn you that the number of issues pending against the North is very small and that in "shaping the record" we have very little to go on. If we are to adhere strictly to the terms of the cease-fire and are inhibited from conducting what could be called frankly a propaganda campaign to balance the record then we are going to have considerable difficulty. For example, if we said what we really wanted to say about

the import of war materials, we would want to pursue the line of argument the British used in their reply to the Soviet note which preceded the Co-Chairman's talks. And yet, as you know, on a strict interpretation of Articles 16 and 17 and Protocol 23, there is no reason why the Commission should take cognizance of the fact that a large army has been built up in North Vietnam while a large army has departed from South Vietnam. Again, if we are to talk in the strictest terms about the implementation of Articles 16 and 17, we could say that controls are virtually non-existent in the North. We could also point out that it is contrary to common sense to accept the North's bland assertion that they have not imported a single round of ammunition since the cease-fire. But all we could say would be that we *suspect* that they have been violating the Agreement. We could not prove it.

24. Another example is Article 14(c). You have mentioned the possibility of getting on the record our views about civil liberties in the North. If we were directed to undertake a propaganda campaign to balance the record, then we could talk in general terms about the state of civil liberties in North Vietnam. However, as you know, the guarantee of "democratic liberties" in Article 14(c) is not a general guarantee of western-style freedoms to the entire population of North Vietnam. On the Commission's interpretation, it means no more than that a former supporter of the French who is still living in the North is entitled to no less liberty than his fellow citizens. The fact that his fellow citizens themselves have very little liberty is irrelevant, so long as he has no less than they. If we were instructed to indulge in strictures about the tyrannical nature of this régime we would have to depart sharply from a careful interpretation of the Agreement. We would almost certainly lose Indian support by doing so, because so far as the Indians are concerned, when it comes to democratic liberties, there is not much to choose between North and South. It might even be that I would be declared out of order in the Commission on the ground that I was talking about things outside the provisions of the Cease-Fire Agreement.

25. I conclude from this that in the next few months we can by strict impartiality gain a measure of Indian support. On some important questions, for example on the admission of TERM, the Indians are even in the unusual position of having to take the initiative on an issue which involves a defence of the South. However, even if we and the Indians were entirely agreed that over the next few months what was required was better co-operation from both sides, on a strictly numerical calculus of issues pending before the Commission, the record might very well go against the South; and it might go very seriously against the South if TERM is not handled much more carefully than similar issues have been in the past. At the end of a period of this sort while we might be able to say that we wished to see the activities of the Commission reduced because of the lack of co-operation from both sides, we might have to say that this was especially because of lack of co-operation from the South. The circumstances in which this stand would be taken might result in a blackening of the reputation of South Vietnam and of the United States.

The Effect of Improved Cooperation from the South.

26. This problem can be avoided if the South does give a considerably improved measure of co-operation. In its Telegram Y-140 of April 20† the Department said that "if the Diem declaration of April 6 means anything it means that the South Vietnamese authorities, while unwilling to accept French responsibility under the Cease-Fire Agreement, are prepared to do those things to maintain the cease-fire which they would be legally obliged to do if they were to accept the responsibility of the French High Command ... It would appear that the Commission must proceed on the assumption that the whole framework of the Cease Fire Agreement remains in force as if the South Vietnamese had in fact agreed to take over the French responsibility". To us this amounts to saying that South Vietnam will act as if it had signed the Geneva Agreements and was bound by them even though it

didn't and says it isn't. As you have seen in preceding paragraphs this is the basis on which we have been acting in the Commission since it resumed its normal activities, and this is the approach which could blacken the record against South Vietnam.

27. South Vietnam could protect its reputation to a certain extent, and at the same time meet the general Indian requirement for continuing the Commission, by providing real cooperation. Before the Diem declaration we worked in private to get the South Vietnamese to cooperate with the Commission. In the Commission itself we defended the South, albeit with occasional stirring of conscience, because a defence of the South quite frequently involved a departure from "judicial impartiality". I believe that to the extent that we become partisan it was chiefly because we wished to moderate the tough line which the Indians and the Poles have adopted since last summer. I think that if the South Vietnamese had been legally bound to the agreement we would have been prepared on many occasions to have been much harder on them than in fact we were, but so long as they were not bound in any fashion to the Agreement we believed that it was a mistake to censure them too often or too harshly. We counselled patience in the hope of getting the South, as Mr. Pearson said to Mr. Krishna Menon, to enter into "a firm assumption of responsibility for the cease-fire arrangements ... in agreement with the French".

Will the South Give Cooperation?

28. The result of all this patience was the Diem Declaration. It was not very satisfactory but we were told that it was all we could get. So said the British who had had the task of extracting the declaration from Diem. Canadian experience of attempting to get the South Vietnamese to be more forthcoming in their attitude towards the Commission led us to agree with the British. We therefore accepted the declaration, hoping that "practical cooperation" by the South would result in the South looking like a "responsible party". Now it appears that the South's interpretation of "practical cooperation" is very limited.

29. Obviously however in a crisis in which the Commission threatened to break down it would have been dangerous to have expressed our misgivings. We therefore acted as if the Diem declaration was entirely satisfactory to us and repeated again and again that we saw no reason for any interruption in the normal work of the Commission. As I have kept saying to Parthasarathi since, the only difference between the Indian and Canadian approach on this point was that the Indians want the South to admit that it is a party to the Agreement, while we are prepared to assume that they are and see if our assumption is borne out in practice.

30. Unfortunately, because the South has for almost a year now failed to give any adequate measure of cooperation to the Commission, there is an accumulation of pending issues like notification, deployment of mobile teams, 24- and 48-hour notice and the move to Saigon, on which Southern good faith is bound to be put to the test within the next few weeks. However much we might like to defer a test of Southern good faith on these issues, they have been pending so long that it is simply impossible to do so. Furthermore, we are trapped by our own thesis that legal obscurities do not matter and that the important thing is to see whether the Commission can work in practice. For, from the moment the Commission resumed its operation, these thorny issues were raised. The only thing we can do to help balance the record is to ask for equal pressure on the North to cooperate on issues on which they have been delinquent.

31. Our experience leads us to believe that the South will not act "as if they had signed the Agreement". Our guess is that cooperation will still be too little and too late. I think it is a possibility at least worth considering that there will be no convincing demonstration of good faith such as you were hoping for following the resolution of the April 28 crisis. The North, by refusing to budge about Phuc Noa and Xa Doai, for their part, have already

given indication that they do not intend to mend their ways. If these trends continue, then in several months we will face a situation in which the basis for the Commission's operation will still be uncertain in law, and the Commission itself will be working no better in practice then it did before. We have said that we were prepared to ignore legal obscurities. To what extent are we prepared to ignore practical ineffectiveness as well? Are we so anxious to see the Geneva structure maintained that we will be prepared to say several months from now that Canadians are ready to stay in Vietnam no matter what happens and that if the Commission breaks down, it is the fault of other?

The Possibilities Open to US.

32. Assuming that the South Vietnamese do not provide the necessary cooperation, then we have two courses open to us in the Commission. On the one hand, we can continue with our present attitude of reasonable impartiality, or what I would describe as "judicious impartiality". This would convince the Indians, to a certain extent, of our honest intentions, but this would neither save the reputation of the South, nor dissuade the Indians from pushing for an end of the Commission because of insufficient cooperation. Alternatively, we could use a "modified Polish gambit" and try to whitewash the South by using delays, obstructions and downright lies in the Commission. This would not gain us any credit with the Indians, nor would it make it very easy for us to live with ourselves. And of course, such a policy could not prevent the Indians from calling for an end of the Commission, for it would not hide from them the fact that cooperation was lacking.

33. Therefore, in the prevailing circumstances, both approaches might have little effect in prolonging the life of the Commission. Perhaps we could read a little anti-Communist propaganda into the record, but as I have pointed out already, this would be difficult.

The Uncomfortable Canadian Position.

34. Therefore, if we wish to keep the Commission functioning even for six months, we probably will find ourselves caught between two opposing forces. On the one hand there will be the Indians, who lay down certain conditions which must be fulfilled before they will consider as worthwhile their continued participation in the Commission. On the other hand are the South Vietnamese (and in the background the United States) who, while paying lip-service to the idea of cooperation, do not in practice give enough of it to meet the Indian conditions. If we are to achieve our goal, we must change the attitude of either the Indians or the South Vietnamese.

35. During the past six months the Indians have been fairly consistent in the conditions they have laid down, and I doubt very much if we can shake them from their position. Our difficulties in this field are aggravated by the fact that our position essentially is very close to that of the Indians, and nowhere is that more apparent than in Mr. Pearson's discussion with Krishna Menon on March 29 (External Telegram Y-110 of April 4†). Our conditions are different from those of the Indians in only one major respect: We are willing to modify our position in order to promote our long range objective of halting communism at the 17th parallel. The Indians do not seem to be motivated by this goal and therefore are less willing than we are to compromise in their demands.

A Possible Solution to the Problem.

36. This leaves us with the South Vietnamese and the United States, and I would suggest that, if you decide that it is in our interest to keep the Commission functioning after July 20 it will be necessary to approach the Government of South Vietnam and the State Department with an argument running along the following lines:

"Canada now finds itself in the position where it can not prevent a breakup of the Commission unless greatly increased cooperation is forthcoming from the authorities in South

Vietnam. To keep the Commission in operation we need the support of the Indians, and the Indians demand that before they will continue to serve on the Commission, the South must give real cooperation to the Commission, must set some date for the beginning of consultations about a political settlement, and must do something about the Joint Commission. Mr. Menon himself has said that all the South has to do about elections is say that they will start consultations in July 1957, and this would seem to be a fairly easy condition to meet. South Vietnam is reluctant to serve on the Joint Commission because this would mean high level Southern officers' meeting and talking with Vietminh officers. I think this would be preferable to armed South Vietnamese troops facing armed North Vietnamese troops across the Ben Hai river. Cooperation with the Commission would not be so difficult if the will to cooperate actually exists to the extent that public declarations by Mr. Diem and Mr. Mau would seem to indicate."

37. We must emphasize that vague assurances of practical cooperation will not suffice. If South Vietnam feels secure enough to dispense with the stabilizing presence of the Commission then we suppose there would be no point in its making these concessions. However, if it needs another six months or a year to build itself up, then it has no alternative but to go along with these suggestions and thus help ensure the continued presence of the Commission.

B.M. WILLIAMS

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648. DEA/50052-A-40

Le commissaire par intérim de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Acting Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

DESPATCH 293 Hanoi, June 29, 1956

CONFIDENTIAL

Reference: Our Despatch of October 19, and our Despatch No. 586 of October 31, 1955.[30]

ARTICLE 14(C)

Of all the depressing prospects from the windows of the Commission, the view towards Article 14(c) is one of the dreariest. It is a nightmare landscape, where the shrill wind of PAVN accusations whistles endlessly, whirling trash towards the Commission's doors. From time to time, the Commission sends out a few groundkeepers with pointed sticks, to try to clear up the mess, but this only seems to make the wind blow stronger. People who live long enough in the Commission's house become very discouraged from listening to the wind rattle the windows, and watching the drifts of paper accumulate in corners. They often wish the Commission would sell the property and move out.

2. The prospect has changed hardly at all since Mr. Johnson described it for you in two despatches dated October 19 and October 31, 1955 and in telegram No. 622 of December 14, 1955.[31] The only difference between the situation now and the situation as it was ten months ago is that more paper has accumulated. The nature of the problem and the Com-

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[30] Voir/See Volume 21, Document 632.

[31] Voir/See Volume 21, Document 642.

mission's ways of dealing with it remain unchanged. Between one quarter and one third of the routine work of the commission still has to do with Article 14(c).

3. In view of this situation, it is only reasonable to ask how the Commission ever allowed itself to be manoeuvered into a position where it is spending so much effort to achieve so little. The answer is that the Commission could not help itself. The fundamental difficulty is that there is no way of shutting off the complaints at the source. Since they are a party to the Cease Fire Agreement, the PAVN have rights under the Agreement. One of these rights is the right to have their complaints investigated. Under the provisions of Article 37, "The International Commission shall, through the medium of the inspection teams mentioned above (in Article 35), and as soon as possible either on its own initiative, or at the request of the Joint Commission, or of one of the parties, undertake the necessary investigations both documentary and on the ground". This is very strict phrasing: not "the International Commission *may* investigate", but "the International Commission *shall* investigate", and furthermore, it shall investigate "as soon as possible". The only softening of the provisions of Article 37 is that investigations must be "necessary" and may be "documentary". This means that if an investigation can be shown to be unnecessary, it need not be undertaken; and that even if it is shown to be necessary, it need not automatically be assigned to a mobile team.

4. The procedures evolved by the Commission to deal with cases under Article 14(c) are still those proposed originally by M.J. Desai, which are described in para. 2 of telegram No. 563 of October 20 and in paras 1 to 3 of despatch No. 586 of October 31. To decide whether an investigation of any kind is necessary, the Commission has to determine in the first place whether a *prima facie* case under the Article has been made out. In practice, it takes only a simple assertion by the PAVN that the Article has been violated, supported by a stereotyped pattern of circumstantial detail, to convince the Commission that a *prima facie* case has been made out and that an investigation is therefore necessary.

5. The PAVN have to establish that an alleged act of reprisal took place on account of some person's activities during the hostilities. The standard formula for this is

> "X was a former member of the Resistance. After the ceasefire, he returned to his home, where he has been living as a peaceful farmer. On ___, police came to his village, arrested him, tortured him, and are still holding him in jail."

The phrase "a former member of the Resistance" in the PAVN's complaint satisfies Article 14(c)'s requirement of "activities during the hostilities". The phrase "living as a peaceful farmer", by removing all other possible causes for the man's arrest from the date of the ceasefire to the date of his arrest, satisfies the Article's requirement that the act of reprisal must be "on account of (his) activities during the hostilities". A general air of plausibility is added to the PAVN's complaints by the inclusion of precise details of names, places and events. On this basis, the Commission invariably decides that, since the possibility of a violation of Article 14(c) exists, some sort of investigation under Article 37 is necessary.

6. The PAVN never slip in framing a charge. The *prima facie* case is always made out. Therefore, if they make, say, thirty complaints in one month, the Commission has to decide to begin thirty new investigations. Thirty new files are opened, and the Commission sinks a little deeper under the weight of its own paper.

7. A frequent criticism of the procedures which have permitted this situation to develop is that the PAVN never offer any proof of what they assert. To this, the answer is of course that they do not have to. All they have to do is to make certain charges which *if they were proved to be true* would amount to a violation, of Article 14(c). Proof is required to find a violation; assertion is enough to open an investigation.

8. The Commission might be more strict with the PAVN if it appeared from a number of completed investigations that the PAVN were making wild and unsubstantiated charges. Even if the will to moderate the Commission's activities existed in all three Delegations — and it does not — it would be hard to justify a reduction in activities under Article 14(c) on the grounds that the PAVN were abusing their rights under the Agreement. By and large, the PAVN's complaints have proven on investigation to contain a core of truth. During the regrouping, team after team investigating PAVN complaints found that Article 14(c) was being violated in the South. (See Appendices III and VI of the Fourth Interim Report).

9. Since July of 1955, there have as you know been no mobile team investigations under Article 14(c). Therefore, the Commission for close to a year now has had no way of knowing directly whether the PAVN's charges are true or not. The only sort of investigation which has been possible in this period has been the documentary investigation. The great majority of these investigations have so far been inconclusive, partly because the South takes months to supply information in individual cases, and partly because the Commission has to wait months until an arrested person is tried and sentenced before it can say for certain whether or not Article 14(c) has been violated in his case. The proportion of cases in which the Commission has been able to say "this case is closed" is probably not more than one in fifty of cases pending.

10. So far as the South is concerned, this has the beauty of delaying findings of violations against them. Up to August 10, 1955, (the period covered by the Fourth Interim Report) there had been 12 findings of violations of Article 14(c). In the period since, which coincides almost exactly with the period in which the PAVN have been making an issue of 14(c), there have been only four violations found. Three of these four arose out of mobile team 24's investigations, and the fourth arose out of mobile team 47's investigations. Both these teams were investigating complaints made well over a year ago by the PAVN. The fact that the Commission only got around to finding violations late in August, 1955 in the case of mobile team 47's investigation only reflects the snail-like pace at which the work of the Commission proceeds.

11. The important point to notice from all this is how little the PAVN have achieved for all their effort. The flood of complaints under Article 14(c) really began in earnest about the beginning of August, 1955. At that time, the Commission already was faced with two stalled mobile team investigations under Article 14(c), those of teams 24 and 61. Since the beginning of August 1955, the Commission has eight times decided to appoint a mobile team to investigate PAVN complaints about violations of Article 14(c) in South Vietnam. Not one of these teams has ever begun its investigation. There are thus ten stalled mobile team investigations under Article 14(c) (teams 24, 61, 85, 87, 90, 93, 103, 104, 105 and 10?—not yet numbered). Furthermore, not one complaint the PAVN has made since August 1, 1955 has ever yet resulted in a finding that the South have violated Article 14(c). It is worth contrasting this with the volume of PAVN complaints. In the first three months of 1956 alone, the PAVN wrote 42 letters to the Commission about Article 14(c). In these letters, there were 97 accusations of violations of the Article. Forty-nine mobile teams were requested, to investigate 5,938 alleged arrests, 190 cases of alleged concentration of families, and 101 alleged murders.

12. The only comfort an impartial person can draw from this situation is that it does represent a sort of rough justice. Because the South have virtually no information about what goes on in North Vietnam, it cannot bring many complaints about violations of Article 14(c) to the Commission's attention. The Commission has conducted a bare handful of investigations under Article 14(c) in North Vietnam, and it has never once cited the North for violating the Article. It is about as reasonable to conclude from this that the North have therefore not been violating the Article as it is to conclude they have not been importing

arms simply because the Commission has never caught them at it. The argument from silence does not apply in North Vietnam.

13. From this, I think you will be able to catch the atmosphere of futility and frustration which surrounds the Commission's activities under Article 14(c). We would be only to glad to be rid of Article 14(c) and ways and means of accomplishing this purpose are suggested in my memorandum of June 12, 1956, on the reduction of the Commission's activities.

B.M. WILLIAMS

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649. DEA/50052-A-40

Le commissaire par intérim de la Commission internationale
de surveillance pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Acting Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM INCHIN-206 Hanoi, June 30, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Our previous telegrams.
Repeat Saigon No. 193; London, Washington and Paris (Information).
By bag Canberra, Wellington from Ottawa.

VIETNAM

1. The Commission returned to Hanoi yesterday afternoon June 29.

2. During its three week visit in Saigon the Commission did not make any formal calls on the French or the South Vietnamese. This I think was wise. The Franco-Vietnamese negotiations are sufficiently difficult without the Commission intervention.

3. I have returned to Hanoi somewhat more optimistic about the successful outcome of the Franco-Vietnamese talks and the likely attitude of the Chairman to the formula agreed to by the French and the Vietnamese. Parthasarathi seems to have adjusted his mind to the present *ad hoc* arrangements and this may well recondition him to adopting a reasonable attitude to whatever agreement is reached by the French and South Vietnamese about the Joint Commission. We should not, however, assume that Parthasarathi will accept without some soul searching the formula for the Joint Commission. He views with concern the possibility of "two non-responsible" parties on the Joint Commission (the French and the South Vietnamese).

4. Parthasarathi's general attitude of the South likewise seems healthy. He had two if not three interviews with Mau and although he spoke to Mau about the need for some gesture from the South Vietnamese on the broad question of a political settlement, I do not think Parthasarathi expects very much on this score. He has indicated to us that from his talks with South Vietnamese officials he is confident that there will be more cooperation.

5. On the question of the Commission moving to Saigon, Parthasarathi plans to raise this matter after whatever new arrangements resulting from the Franco-Vietnamese talks have been put in writing. The problem of the Commission being located in Saigon will be less difficult of solution if, when the South Vietnamese have taken over the liaison function, there is no French or South Vietnamese liaison mission in Hanoi and the PAVN liaison

mission has been withdrawn from Saigon. I understood from Mau that this question of the liaison mission was the major impediment to the Commission going to Saigon although of course lack of accommodation may be used by the South as a method to drag its heels.

6. While in Saigon the Canadian delegation worked pretty hard to try and straighten out informally with the United States Embassy and the Vietnamese liaison mission (Col. Nam) problems relating to Articles 16 and 17, principally notifications, which have been plaguing the Commission for some time. Our SMA was able to arrange an informal briefing about MAAG by the United States Embassy for the Indians and ourselves. We also spoke to Col. Nam about 14(c) cases and the need for effective cooperation by the South. I do not think that we went too far in our contacts with the USA Embassy and Col. Nam. We scrupulously avoided giving instructions — what we did might be called "interested coaching".

7. We are reporting separately about TERM. Momentarily everything seems to be on the rails.

[B.M.] WILLIAMS

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650. DEA/50052-A-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 919 London, July 6, 1956

CONFIDENTIAL

Repeat Paris, Washington, New York for Mr. Martin, Phnom Penh, Vientiane, New Delhi (Information).

INDOCHINA

We had an hour's talk with Krishna Menon this morning about Indochina after which we went together for a talk with Selwyn Lloyd and Lord Reading at the Foreign Office. The talks, I think, did no harm but certainly accomplished very little. Menon was throughout highly inaccurate and displayed only the vaguest acquaintance with the facts. He did not, for example, know the name of the South Vietnamese Foreign Minister and he approached the name Samneua as if he had never seen it before. These shortcomings did not prevent him from suggesting from time to time that he had played the leading role in Geneva in 1954.

2. Menon began by raising a couple of somewhat obscure points concerning the draft letters that Parthasarathi had been proposing. It was impossible to identify the drafts or to understand his arguments very well as he did not seem to know himself what he was quoting from. This argument seemed somewhat futile because he then said that as the Poles and we objected to the letters anyway they had graciously decided to drop them. Aside from firing off a few wild charges in various directions he did have one point about Vietnam which seemed intelligible and which he repeated in several ways to me and again when we were with Lloyd. He emphasized that India would not agree to any wording of the draft letters which would imply alterations of the terms of the Geneva Agreements. The Agreements were the "sheet-anchor" of our position in Indochina, and they could not be changed on the spot. It would be the duty of the Co-Chairmen to make any changes. I said that we

had the same attitude to the Geneva Agreements, but expressed our interest in getting some practical arrangements on the basis of which the Commission could function. He also returned to a point he made with me in New York in April and which has some validity. He said Diem must make some gesture towards discussing elections. If there was no progress towards elections there was no term to our mission, and we would not stay forever. I emphasized our anxiety not to be committed there indefinitely, but said it did not seem very practical to think in terms of elections. Menon thought that at least the two sides could talk. Lloyd asked him if he thought Vietnam was partitioned for good. He replied, not very confidently I think, that he hoped not because if it was there would be war between South Vietnam and Cambodia. There was some inconclusive talk about the Joint Commission in which Menon said the ISC must not take over its functions and the British said they didn't think it did much anyway. As for the present difficulties, Menon seemed to have very little knowledge of the state of the Franco-Vietnamese negotiations but he did say that India would not refer the situation back to the Co-Chairmen until they had tried everything.

3. On Laos Menon's chief contribution was to read at length Sen's report of June 13/56 on his talk with Souphanavong and to express confidence that a settlement could be reached. He was particularly pleased that Souvana Phouma had agreed to go to Peking as he was sure that Chou En-Lai would be able to reassure him. The most interesting fact of Sen's report, which you may have seen, was that the Pathet Lao were now saying that they didn't disagree with the January 7/56 resolution, they only disagreed with it at the time because the RLG had the wrong attitude. However, they said this attitude had now changed. Sen also said he was upset when he returned to Vientiane to find that the RLG had decided apparently under Western pressure, to establish diplomatic relations with Saigon. He was sure this would upset the Pathet Lao and Vietminh. Menon made a good deal of this. Both Lloyd and I assured him we had used no influence and, in fact, had never heard of this step by the RLG. I also assured him that we were not in any way trying to prevent a settlement with the Pathet Lao. On the whole he seemed confident about the prospects in Laos and spoke well of Sen. When asked, he emphatically affirmed that India had no intention of going back on the January 7/56 resolution. When he insisted that the Communists themselves had never challenged the position about the administration of the Northern provinces as set out in the resolution, Lord Reading told him firmly that he had not been able to shake Malik in his stolid refusal to consider the resolution, which Malik insisted was an effort to by-pass the Geneva Agreements. Menon said that what the Russians and British thought was not his business; he knew what the Chinese thought.

4. We went over some of the old ground of Cambodia. Menon insisted again that it would take a stone out of the arch of the Geneva settlement to remove the Commission from Cambodia. The Poles would not agree and the Cambodians wanted the Commission to stay. I challenged on the basis of our evidence his sweeping statement about what the Cambodians wanted, but he was, as always, impatient of mere facts. I said to him and to Lloyd that we had reluctantly agreed not to force the issue in Cambodia but only on the basis of maintaining a token representation. Menon said it need only be an office boy. His most disarming gambit was to tell me very confidentially as his own view, not necessarily the view of others, that the Commission must stay in Cambodia because Communism was by no means dead there. We are dealing, he said darkly, with a "Leninist conspiracy" in all the area. We asked him if he thought the Commission was the best way to deal with such dangers and expressed fears about its becoming involved in things outside its scope. He said we should realize that India would never favour the Commission's dealing with things outside its terms of reference. In the course of our talk I gave him my pretty low view of

Sihanouk's recent behaviour and we tried, without much success, to reassure him about American intentions in Cambodia and other countries.

5. It was a very depressing performance. I had hoped Menon might be sobered by his new responsibility, but he was at his worst. He showed no consistent knowledge whatsoever of the realities of the Commission and would certainly have shocked Desai or Parthasarathi even more than he did me. His store of knowledge consisted of a grab-bag of assorted false impressions gained during odd controversies over the past two years. In view of the fact that practically all of our discussion was wide of any mark, I don't think we should consider that anything Menon said necessarily supersedes positions established in discussion with more serious Indians.

L.B. PEARSON

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651. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-96 Ottawa, July 18, 1956

SECRET. IMMEDIATE.

Reference: Your 222 Jul 12.†

Repeat Saigon, New Delhi, London, Paris, Washington, Vientiane (Information. Routine). By bag Canberra and Wellington.

VIETNAM — INTRODUCTION OF MILITARY EQUIPMENT AND PERSONNEL

We too have been concerned about the implications of United States and United Kingdom statements concerning the import of arms into North Vietnam. On making enquiries recently we found that the statements did in fact have some basis in intelligence reports. There is, however, little prospect that the intelligence information that does exist can form the basis of French or Vietnamese allegations which would enable or force the Commission to institute investigations. Furthermore the trail would be so cold that there would be virtually no prospect of turning up any concrete evidence. To some extent the same considerations apply to any programme based on intelligence leads for plugging holes in order to prevent evasions. This might only lead the Vietminh to take better evasive action.

2. The situation serves to confirm our conviction that Commission control of arms is ineffective not just because of any shortcomings or lack of zeal on the part of the Commission but because the system of control provided for in Cease Fire Agreement is simply inadequate.

3. It appears that in present circumstances there are two courses of action open to us: (1) to make the most of such evidence as exists of Vietminh obstruction of Commission control and (2) to bring out into the open the inadequacies of system of control provided in the Cease Fire Agreement.

4. You will recall that in our telegram Y95 of March 17 we suggested that sustained effort be made to document all cases of Vietminh obstruction of arms control procedures. Most notable instances are Phuc Hoa team and failure to provide water/transport for

Haiphong team. There may be other instances of less important character. As suggested in our Y93 of March 16† these cases should be written into next interim report. We appreciate that to achieve this we may have to accept inclusion of more extensive and damaging evidence of South Vietnamese failure to comply with arms control procedures, but this appears to us a necessary evil.

5. Publicizing ineffectiveness of arms control system of Cease Fire Agreement may be more difficult process. We know that Indians are extremely sensitive about any suggestions that Commission has not been performing its task effectively and are likely to balk at any statement that would suggest that since there are loopholes in the control system violations may have taken place without Commission's knowledge. On the other hand we understand that both Indians and Poles are prepared to admit privately that arms control system is ineffective in sense that if either party wished to do so it could violate provisions of Cease Fire Agreement banning import or arms without Commission being any the wiser. We think this fact should be brought out into the open because

(a) there would be then less danger that statements of kind made by United States and United Kingdom would damage prestige of Commission;

(b) it would dispel any illusions that may exist about effectiveness of international supervision system which obtains in Indochina; and

(c) it would lay the foundation for proposals that fixed teams ultimately be withdrawn, thus permitting substantial reduction in size of our delegation as suggested in our telegram Y104 of March 23.

6. Our idea is that facts of limited effectiveness of control system in Vietnam should be presented completely impartially, without any suggestion that, either side is taking advantage of loopholes that exist. Possibly arguments of following type might be employed in putting the case to the Indians and Poles:

(a) Sooner or later one party or other is likely to call attention to inadequacies of control system, and might well do so in manner which would reflect adversely on Commission or some of its members: consequently it would be desirable for Commission to do this on its own initiative and in an impartial fashion, without calling into question good faith of either party; moreover Commission owes it to itself to ensure that facts are generally understood;

(b) Both Vietnamese governments and Geneva Conference powers generally should be apprised of shortcomings of control system, so that they may suggest changes if they wish to do so: Commission is in best position to record facts of situation fairly;

(c) If in future international control methods are again considered as means of preserving peace precedent of Indochina is sure to be studied just as Korean precedent was studied in case of Indochina; Commission should accordingly see that the record is complete so that there are no misconceptions anywhere about working of control system in Indochina.

7. Actual nature of statement showing up inadequacies of system could probably be drafted in a way which would not concentrate on likelihood of violations in view of known loopholes. Full description of Commission's actual control procedures (from which shortcomings would be readily apparent) together with observation that proper fulfilment of the provisions of the Cease Fire Agreement with respect to import of arms depends more upon good faith of parties than on existing control procedures would probably be sufficient.

8. Obvious place for statement of this kind is in an interim report. As Seventh Report is probably many months off it would clearly be advantageous to get the statement into the Sixth Report. If you see no strong objections to this project we suggest you begin by discussing the matter informally with Parthasarathi, using any arguments that may occur to you in addition to those outlined above to commend the case to him.

652. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM 244 Hanoi, July 23, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: My tel 150 May 15/56.†
Repeat by bag Saigon, New Delhi.

REDEPLOYMENT OF MOBILE TEAM AT PHUC HOA

1. Secretary General has requested delegations to appoint members to new mobile team at Phuc Hoa to replace MT 99. This action follows receipt of PAVN letter dated July 19 in which PAVN reiterate their arguments regarding the difference between mobile and fixed teams but agree to the deployment of another team at Phuc Hoa. The PAVN letter emphasizes that this team will be a mobile team (this clearly implying that the team will not be of indefinite duration as far as the PAVN is concerned) and states that in regard to the period of activity of the team "The Liaison Mission will talk this matter over with the IC at a later date".

2. We should appreciate your advice as to the line we should follow in this matter. As I mentioned in my telegram under reference the Commission on May 15 sent a strong letter to the PAVN stating that the decision to withdraw the team had been forced on the Commission because of the refusal of the PAVN High Command to implement the recommendation of the Commission and to extend the necessary cooperation to the team. The Commission also strongly urged the PAVN to reconsider its attitude and give the necessary cooperation to enable the Commission to exercise control at Phuc Hoa.

3. On May 29 the PAVN replied to the Commission letter presenting again its arguments against indefinite duration of this mobile team and making the usual hypocritical statements about the close cooperation which has been provided by the PAVN. On July 7 the Commission informed the PAVN that the keeping of a mobile team in continuous operation in the regions bordering the land or sea frontiers of North Vietnam is not contrary to Article 35 and stated that it expected the PAVN to give logistic support and all assistance to enable the Commission to again deploy a team at Phuc Hoa. The Commission's letter stated that the fact that the Commission was forced to withdraw MT 99 was clear proof that the PAVN had not implemented the Commission's recommendations.

4. These steps by the Commission have been taken by a majority vote with the Pole dissenting in Commission meetings.

5. We have three possible courses of action open to us

(1) we could participate in the new mobile team or

(2) could refuse to supply a member for the team on the grounds that control at Phuc Hoa had degenerated into (group corrupt) and that we did not want to lend ourselves to a continuation of it or

(3) we could refuse to supply a member until PAVN assured Commission that they would not again force withdrawal.

6. We of course have grounds for refusing to participate in the new team. Policy periods during which there has been no team at Phuc Hoa have been long enough to enable the PAVN to import whatever military equipment they wished to and so the question of control has become purely academic. Our refusal to participate in the team would be a strong statement of principle in which we refused to associate ourselves with an action which in essence is exactly what the PAVN has agreed to all along and which a majority of the Commission has said is not its wishes. On the other hand we would end up with no control whatever at Phuc Hoa and our general position that some control is better than no control would be undermined. In addition the Indians might interpret our refusal as unreasonable and quixotic and in any future discussion of Phuc Hoa might act less strongly against the Poles and the PAVN. (Or course we should not discount the possibility that the Indians might welcome a strong line by us at this stage).

7. If we agree to participate in the team we could put all our arguments on record. We should state that we consider that the Commission has been given the run around by the PAVN in this issue, that as long as there are gaps between the mobile teams at Phuc Hoa control cannot possibly be effective and indeed provides a convenient schedule for the illegal importation or war material and that the PAVN has refused both to accept Commission's interpretation of its powers and to extend cooperation required to ensure effective control. We could also (wish?) for a strong letter from the Commission to the PAVN which would demand from the PAVN assurance that the new mobile team would not be forced to withdraw from Phuc Hoa until the Commission decided that it had carried out its task satisfactorily and we could add that if this new team were forced to withdraw we would not participate in another one and thus carry on the farce. (Alternatively we might refuse to supply a member until the PAVN provided these assurances. The same arguments could be put on the record if we followed this course).

8. During any discussion we might draw a parallel between the team at Phuc Hoa and Teams 24 and 61 which as you know were withdrawn from the South last fall because of the conditions set down by the Southern authorities. This question of principle was discussed under Item 11 of Meeting 249 and Item 1 of Meeting 2509. If you should instruct us to follow courses (2) or (3) (para 4) we might set the stage for progressive reduction of teams and indeed even raise the curtain for an honest study of the effectiveness of control under the Agreement 10. We should appreciate your advice about our course of action as soon as possible. The team is supposed to be briefed on July 25 but we are informing the Indians that we cannot provide a team member at this moment because of rotation and because our team member at Laoka has just developed malaria. These excuses will not last very long however and we should appreciate having instructions no later than July 26.

[B.M.] WILLIAMS

653. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-126 Ottawa, July 26, 1956

SECRET. IMMEDIATE.
Reference: Your telegram 244 of July 23
Repeat London, Paris, Washington, Saigon, New Delhi and Vientiane (Information. Routine).
By bag Canberra, Wellington and Phnom Penh (Routine).

REDEPLOYMENT OF MOBILE TEAM AT PHUC HOA

We have considered three courses of action outlined in your paragraph 5 and the Minister has indicated a preference for the third. You should therefore refuse to supply a member for the team until Commission has PAVN written assurances that they would not again force withdrawal.

2. You should use arguments contained in your paragraphs 7 and 8 and ensure that they are on Commission record. We think this provides good opportunity to start implementing plans suggested in our telegram YY96 of July 18.

3. We were interested in suggestion in last sentence of your paragraph 6. Have you anything of a concrete nature on which to base this conjecture?

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654. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance
pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM INCHIN-255 Hanoi, July 28, 1956

SECRET. IMMEDIATE.
Reference: Your tel YY96 Jul 19.
Repeat Saigon No. 252; London, Washington and Paris (Information).
By Bag Phnom Penh, Vientiane, New Delhi and Canberra, Wellington from London.

SIXTH INTERIM REPORT — ARTICLES 16 AND 17

Your telegram under reference arrived a few days after the Indian draft of the Sixth Interim Report was distributed. Although we probably would have had time to prepare a statement along the lines suggested in paragraph 7 of your telegram, we concluded that our approach to the Indians and the Poles on the subject would have seemed suspiciously abrupt. If our initiative in the matter is to be successful, I think the ground must be prepared fairly carefully. As you mention, the Indians are very sensitive about any suggestions that control is not effective, and although any assessment of control procedures could emphasize the inadequacies of the control provisions contained in the Ceasefire Agreement, it would be extremely difficult to exclude from any comprehensive assessment mention of shortcomings resulting directly from decisions which were taken by the Commission on its own initiative or as a result of compromise with the parties.

2. It seems to us that the best way to avoid wounding Indian sensibilities would be to approach the subject casually with Parthasarathi and try to get him to put forward the idea as his own. This, I admit, will be difficult and if we were to miss our chances in the Sixth Interim Report and fail to get the Indians to adopt the idea, we would lose out completely. However, paragraph 8 of the draft Sixth Interim Report mentions the possibility of a special report to the Co-Chairmen about the solution of the Commission's difficulties and we think this special report would be the logical place for an assessment of control under Articles 16 and 17. We hope that the Indians would agree with this. This would give us time to work the Indian around to our way of thinking and probably produce better results than pulling our suggestion out of thin air in the midst of discussions on the Sixth Interim Report. In another month or two we suspect that the (2 groups missing) of the South will look much better and this also would put us on firmer ground; at the moment our suggestion for an assessment might be interpreted as an attempt to throw the burden of guilt off the South, while later on our impartiality might be more apparent.

3. Despite all these considerations we shall try to keep the door open. We plan to propose amendments to Chapter V which, by their phrasing, will point up the inadequacies of the control system itself and as well suggest an amendment which would point out the difficulties of control which can be attributed to the terms of reference within which the Commission works. This would then give us a peg on which to hang a later assessment of control provisions, and at the same time might start the Indians thinking along the same lines that we are. (We of course would provide them with all the encouragement possible).

4. You may rest assured that we shall do all we can to have included in the report all cases of PAVN obstruction of control procedures. Phuc Hoa and the Baie d'Along are our main weapons. You suggested in your telegram Y95 March 17 that we make use of circumstantial evidence to build a case against the PAVN and in your telegram Y93 March 14† you refer to the Sixth Interim Report as an occasion for bringing to light the devious methods used by the PAVN. We of course agree with these tactics, but unfortunately the PAVN methods have been so devious that we have not very much circumstantial evidence on which to build a case. If we go too far in this sort of thing we always run the risk of convincing the Indians that our main goal is to sink the knife into the PAVN; this of course would make it all the more difficult for us to convince them that we are approaching the problem of an assessment of control procedures with Olympian disinterestedness.

5. From the above you will see that we agree with you in principle but we much prefer to carry out the plan in two phases. Two bucks and a kick may be better on this issue than a forward pass which might be intercepted.

[B.M.] WILLIAMS

655. DEA/50052-A-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET. FOR CANADIAN EYES ONLY. Ottawa, August 3, 1956

U.S. VIEWS CONCERNING THE FUTURE OF THE INTERNATIONAL COMMISSION IN VIETNAM

You may be interested to read an extract from a report dated June 25 by David McNicol, Australian Minister in Saigon, on the views of two United States representatives there concerning the future of the International Commission in Vietnam.

(a) Bill Sebald, Deputy Assistant Secretary of State for Far Eastern Affairs, takes the tough line that what deters aggression from the north is not the presence of the Commission but Communist knowledge that the free world would retaliate.

(b) Fred Reinhardt, United States Ambassador, thinks the Commission should stay on until the beginning of 1957 as 1st January, 1957, is the approximate target date for having the Vietnamese army sufficiently trained and organized to delay an invasion from the north until other help is forthcoming.

2. "W. Sebald, Deputy Assistant Secretary of State for Far Eastern Affairs, visited Saigon last week.

"I was told separately by Reinhardt and another member of his staff that Sebald was not at all convinced that the continuing presence of the International Commission was a good thing. Reinhardt said, in strict confidence, that his own view was that the Commission should stay on until the beginning of 1957 as 1st January, 1957, was the approximate target date for having the Vietnamese Army sufficiently trained and organised to delay an invasion from the north until other help was forthcoming.

"I got an opportunity to ask Sebald what he thought of the usefulness of the Commission. He replied that he had not made up his mind, but went on to make the following comments which showed he thought the Commission was a luxury which could be done without:

"(a) What deters aggression from the north is not the presence of the Commission but Communist knowledge that the free world would retaliate.

(b) We got the Commission in Korea into the demilitarised zone. 'People said we could never achieve this, but I knew in my heart we could.'

(c) The United States is not a party to the Geneva Accords. The Co-Chairmen have taken upon themselves authority which has not been given to them.

(d) The possibility of teaching the Indians something about Communist subversion is a high price to pay for the continuation of the Commission."

Our Comment

3. You will remember that Sebald was a pre-war lawyer in Japan and a war-time Commander in the U.S. Navy who succeeded George Acheson as head of Diplomatic Section of SCAP and in this capacity served as the tool of the clique of military officers about General MacArthur. He was later Ambassador in Burma and has been deputy to Walter Robertson since then. He is not considered to have a particularly subtle mind and is

regarded as generally reflecting Pentagon military appreciations of the situation in the Far East. Nevertheless it is of some significance to us that this group in the United States Government tend to regard the Commission in Vietnam as having outlived its usefulness.

4. Reinhardt is a more thoughtful and better informed observer of the Vietnam scene. It is interesting, therefore, that he has observed that the Commission might safely withdraw early in 1957. We shall make inquiries about his statement that the South Vietnamese Army would be in an adequate state of readiness by January 1, 1957. The reports which we have had from our own military advisers in Vietnam have not been quite so optimistic and have implied that the South Vietnamese army has not yet achieved the ability to operate on a larger than battalion scale. You will recall that we have taken the view that the Commission still had certain useful functions to perform: as a stabilizing factor in Vietnam and in the Far East generally, as a witness in the event of possible Viet Minh aggression or active subversion, as a balancing factor pending the completion of a political settlement in Laos, and most important, as a means of gaining time for the South and the other free countries in Southeast Asia to put their houses in order. On the basis of this enumeration of considerations, it will be of considerable significance to us if the South Vietnam Government, and the United States Government as its principal backer, should consider that the International Commission is no longer required. Now that July 20, 1956 has passed without trouble I think we might consider once again re-assessing the role of the Commission in Vietnam and the views of our principal allies on this subject.[32]

5. Even if we should determine that the process of reduction of activities and withdrawal could be safely set in motion towards the end of this year or early 1957, a good deal of careful thought will have to be given to the way this can be achieved smoothly. Our guess is that the Indians, who have some pride in the role they have been playing as Chairmen of the Commission, might be reluctant to withdraw on the basis of the same considerations that we might consider valid. It is more likely that they would find it easier to withdraw blaming the South and their American supporters for intransigence and lack of effective co-operation. This might have an unfortunate effect on Indian-American relations and it would be difficult for us to avoid some Indian resentment. It is, therefore, going to be necessary for us to play our cards very carefully and discreetly. We might also hope that our American friends do not state publicly that they would like the Commission to withdraw as this would certainly make our task more difficult.[33]

J. L[ÉGER]

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[32] Note marginale :/Marginal Note:
I agree [L.B. Pearson]

[33] Note marginale :/Marginal Note:
We should wind up the Commission if we can the moment we think its usefulness has ended and not be kept there merely because India & Poland want to stay on for reasons which may be valid for them but not for us. L.B. P[earson]

656. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM 267 Hanoi, August 4, 1956

SECRET. IMMEDIATE.
Reference: Your tel YY126 Jul 26 and our tel 260 Jul 31.†
By Bag Saigon, Phnom Penh, Vientiane and New Delhi.

REDEPLOYMENT OF MOBILE TEAM PHUC HOA

You will recall that in paragraph three of my telegram under reference I said that I had avoided dealing with this subject informally with Parthasarathi. After giving the matter further thought and discussing it with my SMA I concluded that it would be more honest on my part to tell Parthasarathi what I planned to do. This I have done and I now have a personal request from Parthasarathi to you asking that we do not insist on the Commission's receiving written assurances from the PAVN that the team would not again be forced to withdraw before supplying a member. I told Parthasarathi that I would convey his request.

2. Parthasarathi feels that for us to adopt this attitude at this time would be unfortunate and possibly dangerous as a precedent if we are keen to maintain the cease fire structure. As he put it, the structure is at present insecure and we should all try to avoid shaking the foundations too vigorously. Parthasarathi fears that if we refuse to participate without written assurances the Poles will insist on similar assurances from the South for every team and reconnaissance. This he thinks might scuttle the limited cooperation which we are getting from the South. Parthasarathi continues to think that we are in for a difficult time over the next few months in just maintaining the structure of the Cease Fire Agreement. He argued that we should not adopt postures which might make it more difficult for the Commission to argue that the degree of cooperation given by the South is adequate.

3. I told Parthasarathi that we felt very strongly about this matter and I put forward the arguments which we had outlined in paragraphs 7 and 8 of our telegram under reference.

4. It is difficult to perceive clearly the future of the Commission. Personally I would recommend that we go once more to Phuc Hoa on the understanding that this is the last occasion. I continue to be concerned about the cooperation which the Commission will get from the South. If we want to keep the Commission in operation for a while longer we may have to give in on some things in order to be able to argue that the cooperation extended to the Commission by the South if not of a kind expected is at least sufficient for the Commission to maintain the structure of the Agreement. In any event I would read into the record all our criticisms of the PAVN's attitude towards the Phuc Hoa case.

[B.M.] WILLIAMS

657. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance
pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM INCHIN-268 Hanoi, August 4, 1956

SECRET. IMMEDIATE.

Reference: Your tel YY96 Jul 18 and our INCHIN255 Jul 28.†
Repeat Saigon No. 266; London, Paris and Washington (Information).
By bag Vientiane, Phnom Penh, New Delhi and Canberra, Wellington from London.

SIXTH INTERIM REPORT — ARTICLES 16 AND 17

I spoke informally this morning to Parthasarathi about the general questions raised in your telegram under reference and brought forward the arguments contained in paragraph 6. I suggested that the Sixth Interim Report might be an appropriate place for some brief reference to the control system. I did not get very far with Parthasarathi. While he was prepared to admit personally the inadequacies of the present control system he argued that for the Commission to admit that the control system is ineffective could leave it open to anyone to question not only the existence of the Commission but the maintenance of the Cease Fire Agreement. He suggested that the Pole would argue that if the party in the South had since the time of the cease fire given full cooperation the control system there would have worked satisfactorily. The Pole would also point out that there (have?) been no allegations against the North. Through tactics such as these the Pole would in Parthasarathi's view cloud the whole issue.

2. Parthasarathi did not seem to be inalterably opposed to an assessment of the control system if the Commission were asked by the Co-Chairmen to do one. He argued however that any improved control system based on the present Cease Fire Agreement would require fixed teams to operate 24 hours daily which would imply three shifts. Teams would also have to be given modern equipment which the parties are unable or unwilling to provide and which would have to be provided by the other Geneva Powers or the Commission members. On the other hand an effective control system of a kind different than that provided (five groups missing) agreement would require amendments to the Agreement and Parthasarathi did not think that the PAVN would be prepared to accept them if it meant more rigid control. Further to amend the Agreement at this time when we have no "formal" party in the South (groups corrupt) a difficult matter.

3. At the conclusion of our conversation I was satisfied that I would get no support from Parthasarathi for any comprehensive insertion in the Sixth Interim Report about the ineffectiveness of the present control system. Indeed I concluded that we were over sanguine when in our telegram under reference we said we would try to keep the door open by making even a brief reference to the question. We still however will try to get some form of wording inserted which might give us a peg on which we can hang something later.

4. I wonder however whether we should not consider the possibility of trying to get the Co-Chairmen to ask the Commission to make an assessment of the control system. It seems to me this may be the only method by which your proposal can be implemented.

The special report on the response of the parties which Parthasarathi is anxious to do in about 6 weeks time after August 15 might be an appropriate occasion for this.

[B.M.] WILLIAMS

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658. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures au commissaire de la Commission internationale de surveillance pour le Vietnam

Secretary of State for External Affairs to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-141 Ottawa, August 10, 1956

SECRET. IMMEDIATE.

Reference: Your tel 267 Aug 4.

Repeat New Delhi, London, Paris, Washington, Vientiane, Saigon, Phnom Penh, Wellington and Canberra (Information. Routine).

REDEPLOYMENT OF MOBILE TEAM AT PHUC HOA

We quite agree that it was wise to discuss the subject with Parthasarathi. After careful consideration of Parthasarathi's arguments, however, we still prefer the third course of action outlined in paragraph 5 of your telegram 244 of July 23. We do not, of course, wish to upset the cease fire structure but we think a clear distinction can be made between this and certain provisions of the Cease Fire Agreement, which have proved to be unworkable. If the cease fire did in fact depend upon the effective enforcement of such Article as 17, 14(c) and 14(d), it would long since have collapsed.

2. To all intents and purposes the supervision of Article 17 is already ineffective. We do not think that what we propose to do would further paralyse the Commission. Paralysis already exists and we are merely proposing to discontinue the pretence that it is working. We doubt if any steps the Poles might take in retaliation would change the situation very much. Has the Commission not on previous occasions refused to send teams on Southern missions because there were no assurances that they could carry out their tasks? We do not want to expose the South to criticisms, but we are not disposed to play the role of blind advocate for South if it refuses cooperation. What we want to do is illustrate that North is also very much at fault and this case gives us a chance to do this. If as a result the machinery of supervision grinds to a full stop, we should be in a better position to consider realistically the functions of the Commission.

3. Unless you have further strong objections, therefore, you should carry on with instructions contained in our telegram YY126 of July 26 as a start in implementing plans suggested in our telegram YY96 of July 18. We think it important, however, that in doing so you do not indicate to Parthasarathi our long-range intentions but continue to argue case along lines of paragraphs 7 and 8 of your telegram 244.

659. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM INCHIN-290 Hanoi, August 15, 1956

CONFIDENTIAL. IMPORTANT.

Reference: Your tel YY133 Aug 1.†

Repeat New Delhi No. 94; London, Washington and Paris (Information).

By bag Vientiane, Phnom Penh, Saigon from Hanoi and Canberra, Wellington from London.

INTRODUCTION OF MILITARY EQUIPMENT INTO SOUTH VIETNAM

At the moment, this question is obscured by a tangle of loose ends which have been accumulating for months and which may take some time to tidy up. Before dealing with the points raised in your telegram under reference, I shall review the more recent developments.

2. The Commission has received 2 letters from the Government of South Vietnam which might be described as policy statements about the import of war equipment. The June 1 letter, to which your YY133 refers, was forwarded by the French Liaison Mission June 16 and it stated that all info regarding the exit and entry of military personnel and equipment had been communicated to the Commission through the FLM. About the export of military equipment in particular, the letter stated that the Government of South Vietnam "reserves the right, for each shipment exported, to bring in subsequently a corresponding or lesser quantity of the same category". The FLM was asked to inform the Commission of this general reservation of rights which "tacitly covers all our exports of war material".

3. A second letter, dated June 11, and forwarded by the FLM June 25, set out the conditions under which the Commission could exercise control over the entry of war material.

4. The June 1 letter was considered by the Commission on July 4 and since the second letter, dealing with control procedures, was still awaiting consideration, it was decided to send only an interim reply to the first. In this reply the Commission stated that "it desires to make it clear that any import can only be made in terms of Article 17 of the Geneva Agreements; the procedure as laid down in Protocol 23 must also be followed".

5. The letter dealing with methods of control was discussed July 11. The Chairman considered the South Vietnamese suggestions to be at variance with existing procedures under Article 17 and Protocol 23. He produced a draft reply in which the FLM were informed that the South Vietnamese proposals were unacceptable to the Commission, and in which the provisions of Article 17 and Protocol 23 were outlined. The Pole, of course, agreed with the Chairman, but I contended that the main concern of the Commission was to ensure that the degree of control exercised by it was not repeat not lessened. I suggested referring the SVN letter to Ops Committee, which could compare the suggestions with past Commission practice. The Chairman would not repeat not accept this, but agreed to give us time to study his draft reply.

6. The Indians were to prepare a new draft on the basis of amendments submitted by both us and the Poles. However, the Chairman has not repeat not produced this, and I would expect the issue to remain dormant for a time.[34]

7. It is clear from the Commission's reply to the June 1 letter that the importation of military equipment is governed by Article 17 and Protocol 23. This reflects the majority view of the Commission, which is more rigid than the Canadian stand. We maintain that effectiveness of control should be the prime consideration and that not repeat not too much emphasis should be placed on Protocol 23, which is simply a *modus operandi* agreed to by the parties. There is no doubt however, about the minority nature of this stand, and to the Indians and the Poles the Protocol possesses substantially the same authority as Article 17. As far as we know the Commission's approval of Protocol 23 is only implied. Paragraph 18 of the second interim report[35] refers to it with satisfaction, and of course the Commission has implicitly accepted the Protocol as authoritative for past 18 months. It could be argued that the South was not repeat not a party to the administrative arrangements embodied in Protocol 23, but this argument would not repeat not carry much weight with the Indians or Poles.

8. If Article 17 and Protocol 23 are applied strictly, then it is difficult to see how post facto notifications of exports would help the SVN cause. According to Protocol 23, the Commission has to verify that equipment is destroyed, damaged, worn out or used up, and this would be impossible if Commission teams have not repeat not checked exports. The French may have some reservation about replacing exported equipment, but we have no repeat no record of it. No repeat no minutes of the Central Joint Commission exist, and the PAVN could be relied on to deny that such an oral reservation was ever made.

9. We are unhappy about the pressure now being applied by the USA, since it places us in a very uncomfortable position. A dilemma seems to be emerging along the following lines: we are pretty sure that the Indians and the Poles will not repeat not at present buy our argument that exported military equipment may be replaced. Therefore we have put off the Legal Committee's decision in the hope that you could produce a legal argument which would sway the Indians. We have not repeat not yet received the necessary interpretation, but have been content to let the matter lie, feeling that no repeat no decision would be better than a decision against the interests of SVN. In the meantime, however, the majority of the Commission does not repeat not accept the replacement argument. Now the USA wants us to support the view that the South has the right to replace equipment shipped out since 1954. This would involve opening the question up[36] and probably could result in a majority decision that the South does not repeat not have this right. Moreover, the Indians and the Poles are unlikely to agree that a non responsible party which is not repeat not a successor in function to the French can enjoy successor rights. Either way the South loses. Your paragraph 7 seems to indicate that you suggested to the USA that the South, by ensuring that its current import requirements were balanced off against its export notifications, could avoid a "technical violation" of Article 17. This is true if the exported equipment is destroyed, damaged, worn out or used up, and if the Commission, through its teams can

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[34] Note marginale :/Marginal Note:
Note A.R. M[enzies]

[35] Voir/See United Kingdom, Parliamentary Papers, Cmd. 9461, *First and Second Interim Reports of the International Commission for Supervision and Control in Viet-Nam, 11 August, 1954 to 10 February, 1955*, London: Her Majesty's Stationery Office, 1955.

[36] Note marginale :/Marginal Note:
But doesn't it have to be opened up some day for Legal Com[mittee] report to Com[mission]? A.R. M[enzies]

verify this. If not repeat not then we presume the majority would find the South guilty of a violation. (We presume "technical violation" is simply a euphemism and not repeat not a legal term).

10. The USA may wish to discuss the question with Delhi on the basis of the *status quo*[37] argument. However, in the light of our experience, we would not repeat not expect them to have much success. It would be worth a try anyway.

[B.M.] WILLIAMS

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660. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures au commissaire de la Commission internationale de surveillance pour le Vietnam

Secretary of State for External Affairs to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-148 Ottawa, August 17, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Our tel YY120 of Jul 24.†

Repeat Saigon, London, Washington and Paris (Information. Routine).

By bag Vientiane, Phnom Penh, New Delhi.

VIETNAM — INTERPRETATION OF ARTICLE 17

Legal Division has indicated that while they still believe that text of Article 17 hardly leaves room for an interpretation different from that given in our telegram Y147 of April 25,† they agree that an argument could be made on the following lines: Begins:

(a) Armistice agreements usually contain some military clauses; and the military clauses of the Cease-Fire Agreement for Vietnam — such as that prohibiting reinforcements in personnel and armaments — are meant to safeguard the military balance which existed at the time of the cessation of hostilities. Thus, in Article 16 thereof (dealing with military personnel) and in Article 17 (which relates to war material) the Geneva negotiators have laid down a prohibition of "reinforcements". The first paragraph of Article 17 records a prohibition of such reinforcements by way of a build-up of armaments; while the rest of the Article could (perhaps) be deemed merely a scheme to prevent this prohibition from placing the parties in a position where they would be incapable of replacing the war material which they may be losing (through wear and tear, consumption, etc.) after the cessation of hostilities. Such importation of war material which would not be an augmentation of the strength of a party as of July 22, 1954, would not be contrary to Article 17(a) of the Geneva Agreement. If, then, war material has been exported for one reason or another, it can be said that an equal quantity of war material could be imported at a later date because such importation would not result in a "reinforcement" as prohibited in the first paragraph of Article 17(a). — Such reasoning leads to the conclusion that the South Vietnamese would be at liberty (under Article 17(a)) to import war material if war material had been exported. The only condition to such importation being the giving of some kind of evidence that the importation in question would not result in an actual reinforcement.

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[37] Note marginale :/Marginal Note:
At ceasefire (presumably) A.R. M[enzies]

(b) The "replacement scheme" provided for in the paragraphs (b), (c), (d), (e) and (f) of this Article is, in fact, of a different nature than the question of reinforcement. As stated above, the intent of the military clauses of the Agreement is to maintain the *status quo* as it existed on July 22, 1954. It can be said that the prohibition of reinforcements might not have been sufficient to fulfil that purpose and this is why the replacement scheme has been provided for, i.e., to safeguard the balance of power.

(c) The procedure laid down in paragraphs (c), (d), (e) and (f) of Article 17 is designed to insure that the replacement scheme may be carried out effectively. This procedure must be followed in case of replacements but it could be argued that it is not necessarily applicable in cases of importation of war material which is not a replacement of materials destroyed, damaged, worn out or used up; in such cases it would only be incumbent on the parties to prove that the importation will not result in reinforcements. Ends.

2. We have no objection to your trying out these arguments in the Legal Committee in the hope that they can make some impression on the Indian Delegation. Where appropriate the argument could be supplemented by material contained in our telegram Y146 of April 25† and your telegram 154 of May 18.† At this stage we do not see any particular merit in your eventually agreeing with the majority view if as you expect Indians and Poles agree on a more restricted interpretation. We will welcome your recommendations on this matter although it would seem to us further ventilation of the subject in the Commission would be easier if we stick to our guns in the Legal Committee.

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661. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-152 Ottawa, August 23, 1956

SECRET. IMMEDIATE.

Reference: Your tel INCHIN 268 Aug 4.

Repeat Saigon, New Delhi, London, Paris, Washington and Vientiane (Information. Routine).

By bag Canberra and Wellington.

6TH INTERIM REPORT — ARTICLES 16 AND 17

We very much hope it has been or will be possible for you to obtain in Chapter V some brief but general reference to the efficacy of the control system.

2. In your informal conversations with Parthasarathi you might point out that the Commission's interim reports to date, in dealing with Articles 16 and 17, generally have dealt only with specific investigations and they have not discussed the control system as a whole. In as much as cooperation of the parties is paramount and as Chapter V of the draft 6th Interim Report seems to point up considerable difficulties with both sides, it would seem appropriate and desirable to include now some short observation on the effectiveness

of the control system, possibly in a new paragraph at the end of the chapter. This reference might state that whatever procedures the Commission may devise and whatever checks the Commission's teams may make, proper fulfilment of the conditions in Articles 16 and 17 depends essentially on the good faith of the parties in abiding by the agreement and in cooperating with the Commission. Such a statement it seems to us would be the sort of peg we need in order to point up at a later date the facts of the limited effectiveness of the control system.

3. The suggestion in paragraph 4 of your message that an assessment of the control system might appropriately be incorporated into a special report on the responses of the parties remains therefore a second choice. We pointed out in our telegram YY98 of July 25† that we would not wish to see the Commission commit itself in advance to submitting in the near future a special report on the cooperation of the parties. Moreover, as we understand it, this report will deal primarily with the general aspects of cooperation since May 1956.

4. We realize that negotiations in Hanoi on the 6th Interim Report may have passed the stage where further amendments to Chapter V may be made. If Chapter V has not yet been approved you should take a firm stand on this matter pointing out that the responsibilities of the Commission for the supervision of the Agreement on Vietnam would seem to require sooner or later, and preferably now, general comments about if not an assessment of the effectiveness of the control system.[38]

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662. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance
pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM 326 Hanoi, September 13, 1956

CONFIDENTIAL. IMMEDIATE.
Repeat Saigon No. 345; Delhi No. 110.

INCIDENTS INVOLVING COMMISSION TEAMS

Mobile Team 103, the first 14(c) Team of the Commission to start an investigation in the South for more than a year, got off to an inauspicious start September 11. The team, accompanied by two PAVN liaison officers, met three large demonstrations on its way to one of the areas of investigation. On their arrival at Tra Kieu (about 30 kilometres southwest of Tourane), they were treated to a large and prolonged demonstration at the office of the district chief. PAVN liaison officers were mauled but none of the demonstrations were directed against the Commission teams or any delegation. Many of demonstrators had complaints against PAVN and several thousand petitions were submitted to the team at various places. Team reported that demonstrations appeared to be organized. Although South Vietnamese liaison officer could guarantee security of team if it were unaccompanied by PAVN liaison officers, he stated he would require until September 17 to strengthen security arrangements in the event that the PAVN liaison officers went along.

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[38] Pour le texte final du Sixième rapport intérimaire, voir United Kingdom, Parliamentary Papers, Cmnd. 31, *Sixth Interim Report of the International Commission for Supervision and Control in Viet-Nam, 11 December, 1955 to 31 July, 1956*, London: Her Majesty's Stationery Office, 1957.

For the final text of the Sixth Interim Report, see United Kingdom, Parliamentary Papers, Cmnd. 31, *Sixth Interim Report of the International Commission for Supervision and Control in Viet-Nam, 11 December, 1955 to 31 July, 1956*, London: Her Majesty's Stationery Office, 1957.

2. Yesterday morning the Commission decided to convey to Colonel Nam Commission's great concern about the incidents involving Team 103. Commission's Saigon representatives were to inform Nam that Commission not satisfied with security arrangements. Nam was to be requested to direct provincial and district authorities to make adequate security arrangements and to give full protection to the team and PAVN liaison officers. Commission considered incidents to be a hindrance to activities of the team and that action should be taken against local authorities who failed to give full protection and against persons who assaulted PAVN liaison officers. We were informed by Gauvin that President Diem had been informed of incident on night of September 11. He gave instructions that Government delegate for Central Vietnam should proceed to Tourane immediately. Nam sent one of his officers to the area and the team has reported that this officer arrived the morning of September 12. The team also reported that the mayor of Tourane, as a representative of the South Vietnamese Government, called on team yesterday afternoon and expressed regrets and apologies to both the teams and the PAVN liaison officers for the incident. He stated that investigation had been ordered and that those found guilty would be punished.

3. All this action was taken by the Central Government of South Vietnam before being approached by the Commission. Nam claimed to be puzzled by the incident, since there were security guards for the team and since local authorities had been advised to offer full security to the team.

4. Last night, just as were breathing more easily about this situation, we received word that the mobile element of Fixed Team Nha Trang while on a control trip yesterday to the Northern border of its zone of action was surrounded for hour and a half at (Tuyehor?) by a crowd of about 200 people who had gathered in front of the local police station. Stones were thrown at the team and team members suffered minor injuries. The crowd did not single out members of any particular delegation. The team was finally escorted out of its predicament by security police.

5. I have discussed the whole situation with Parthasarathi, who is very concerned about the incidents and about the implications of them. He contends that, even though the Southern Government may not be directly responsible for the incidents, its policies have contributed to them. On the one hand, Government Ministers tell the Commission that they think the Commission is a good thing and that they will (work?) with it, and on the other hand propaganda organs of the Government roundly condemn the Geneva Agreements and, by implication, the Commission which is here to supervise their implementation. As Parthasarathi says, the average Asian is not sophisticated enough to differentiate between the Geneva Agreements and the Commission. If he is led to hate one, his lack of discrimination will cause him to hate the other. Parthasarathi seems to feel that the issue should be put squarely to the South Vietnamese Government: either they want the Commission to stay or they do not. If they think the Commission's presence does serve their purpose, then they should call off the dogs to ensure the prestige and safety of the Commission and its agencies.

6. It is very difficult to apportion blame on these cases. The South is expected to provide adequate security for Commission teams, but few of us are competent to judge the adequacy of security arrangements before they are proven inadequate. The area in which

Mobile Team 103 has had its trouble is an old stronghold of the extreme right wing Dai Viet party. The Nha Trang Team had its trouble in an area which was strongly Viet Minh. In either case the incidents could have been designed to embarrass the Central Government. On the other hand one can argue that they were instigated by the Central Government itself or perhaps by one ministry, although it is difficult to see what could be gained by these tactics.

7. The problem undoubtedly will be thoroughly discussed with the (group corrupt) authorities when the Commission goes to Saigon. In the meantime Parthasarathi has indicated that we will refuse to send out Mobile Team 93. I believe he is justified in this since in the present circumstances, responsibility for the injury to any team members would devolve on the Commission.

8. Essential we go to the South but Parthasarathi will not go until we have approved a message to the Co-Chairmen.

[B.M.] WILLIAMS

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663. DEA/50052-A-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], September 28, 1956

REDEPLOYMENT OF MOBILE TEAM AT PHUC HOA

You will recall that after the Commission had been frustrated twice by the Vietminh in its attempt to exercise continuous control at Phuc Hoa, our Delegation reported towards the end of last July that the Secretary General had requested the Delegations to appoint members to a new mobile team. This action followed on receipt of a PAVN letter which reiterated their usual arguments regarding the difference between mobile and fixed teams, but agreed to the deployment of another team at Phuc Hoa. At that time our Delegation put up three alternative courses of action. We could participate in a new team, we could refuse to supply a member on the grounds that control at Phuc Hoa was a farce, or we could refuse to supply a member until the PAVN assured the Commission that they would not again force a withdrawal. You indicated that you preferred the third course of action.

2. In telegram No. 220 of September 24† from our Acting Commissioner, he reports that the Chairman of the Commission has put this item on the agenda again and proposed that a new team be sent forthwith. Our Acting Commissioner demurred at this suggestion, pointing out that an assurance ought to be obtained first from the PAVN that the team would be able to remain at Phuc Hoa under the conditions requested by the Commission. The Indian Commissioner, while agreeing with the Canadian analysis of the situation, said that he could not agree with the proposed course of action. We therefore find ourselves in a minority position.

3. In considering what course of action we should pursue, I would point out that in some respects the situation has changed since last July. In the first place, the faults of the PAVN have been recognized by the Commission and explained fairly clearly in the 6th Interim Report. Secondly, we find ourselves in a minority position which has the appearance of indicating that the Canadian Delegation would be preventing a team from returning. It

would probably be a little difficult for parties not directly connected with the Commission to understand such Canadian action. Thirdly, the Indians and the Poles have accepted lately situations in the South which they did not like but which we urged them to accept in order to avoid rocking the boat. It might appear to the Indians that we have one voice in the South and another in the North.

4. Perhaps the principal reason for not jarring the machinery of the International Commission at this time is that some progress is gradually being made in obtaining both a workable relationship with the authorities in the South and a better understanding between the authorities in the South and the Indians.

5. With regard to the responsibilities of the Commission for the supervision of the Cease Fire Agreement, the important question about which we have to decide is whether the occasion has arisen when we wish to tackle the problem of Canadian connivance with what is a farce. While this opportunity would appear to be perhaps as good a one as we will have to raise this fundamental problem, on balance I think that it would be preferable to agree to the redeployment of a team while maintaining as much as possible our own freedom of action. The plan of action outlined in the attached telegram I consider would permit us to go along with the Indians while at the same time preparing the way for this so-called supervision and control to be exposed for what it is.

6. In view of the above considerations I recommend, if you agree, that the instructions contained in the attached telegram be sent to our Acting Commissioner.

7. The copy of the telegram from our Acting Commissioner,† in which he recommends that a team be redeployed at Phuc Hoa, is also attached.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Projet/Draft[39]

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-196 Ottawa

CONFIDENTIAL. IMMEDIATE.
Reference: Your tel 220 Sep 24.
Repeat New Delhi, London, Paris, Washington, Phnom Penh and Vientiane (Information. Routine).
By bag Canberra and Wellington.

REDEPLOYMENT OF MOBILE TEAM AT PHUC HOA

We consider a return to Phuc Hoa without having obtained from the PAVN so much as a budge from the position exposed in their May 29 and July 19 letters to be unsatisfactory. Whatever the Commission may have said to the PAVN in the past and whatever we may put on the record, if the Commission returns to Phuc Hoa now it is doing so on the understanding that the period of activity will be discussed with the PAVN at a later date. Moreover in agreeing to the redeployment of a team we would contribute again to the illusion that control exists on the frontiers of North Vietnam with respect to possible imports of arms.

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[39] Ce projet a été approuvé et transmis le 3 octobre 1956.
This draft was approved and sent on October 3, 1956.

2. As you suggest our disagreement with the Indians and the Poles in this matter arises over the apparent procedural question of whether the PAVN should first give an assurance that the team will not be forced again to withdraw. In the full context of the problem of arms control in the North, this question is really the substantive one of whether effective control in the form of continuous control can be carried on as the Commission wishes. We agree that it might be difficult for third parties to catch the nuances and to understand that the Canadian delegation really would not be responsible for non-control if we refused to provide a member of the team.

3. In dealing with this question we are not concerned with showing faults of the Vietminh. That task has been accomplished. What we are really concerned about is our responsibility in carrying on the illusion of arms control and whether the present occasion is an appropriate one to tackle this fundamental problem. In view of the difficulties in explaining our position we reluctantly agree to a Canadian being appointed to the team.

4. When you indicate in the Commission our agreement to the redeployment of a team you should do so under protest pointing out that the Commission has its dignity and responsibilities and neither in our opinion are being safeguarded in going back without the PAVN having accepted the stated position of the Commission. The Commission must consider whether to participate in what to date must be recognized as ineffective control is to appear to give a clean bill of health when we have no proof it is deserved. It is a fact that certain conditions respecting the Commission's control are laid down in the CFA but that does not preclude the Commission frankly acknowledging the position in which it finds itself. You should also read into the record any considerations additional to those covered in paragraph 2 of your telegram 220 which you think useful to make. In this context we think it would be useful if you observed that the question is not one of effective control in Phuc Hoa but that it is the question of whether there is to be effective control throughout the North over possible imports of arms. One loophole negates the activities of all the other teams. Finally you should indicate that we expect that the Commission will obtain from the PAVN an assurance that irrespective of the time which a team may spend at Phuc Hoa it will not be expected to withdraw until the Commission so decides.

5. Before the Commission meeting please indicate informally to Parthasarathi that we are going to agree to the redeployment of a team, but reluctantly during your conversation please tell him that if there should be any more trouble at Phuc Hoa we will have to give serious consideration to raising the whole question of the inadequacies of arms control in the North in the frankest terms. The question may be raised some day on how effective the Commission has been and we must safeguard our position.

L.B. PEARSON

664. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au sous-secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Under-Secretary of State for External Affairs

LETTER NO. 249 Saigon, October 18, 1956

CONFIDENTIAL

Reference: Our letter No. 243 of October 11, 1956.†

MOBILE TEAM 103

On October 12 the South Vietnamese Liaison Mission sent a letter† (copy attached for Ottawa only) to the Commission in which it questions the modalities of investigation of Team 103 on the grounds that they interfere with the sovereignty of the Republic of Vietnam. It draws attention to certain requests of the Commission for the production of documents such as "a list of all persons arrested since the Cease-Fire Agreement who are former Resistance workers, requests for justification of arrests, requests for information on the competency of civil servants, etc." The South Vietnamese Government consider these requests as interference in their own administration. Furthermore, they state that the request of the team to interrogate "anyone in any circumstances" constitutes another form of interference with the sovereignty of the Republic. It says that the Republic of Vietnam cannot tolerate that Viet Minh agents be given, through such elastic procedure, the opportunity of disguising themselves as witnesses to discredit the Government and that the population be lead, through such procedure, to believe that the International Commission is a supra-national judicial organization having the power to control the actions of the local administration and even of the Government for Central Vietnam. It states that the local authorities only are qualified to decide whether or not the team can proceed to certain villages to pursue its investigation. The letter ends by stating that the Vietnamese Liaison Mission is forced consequently to inform the International Commission that the Government of the Republic of Vietnam cannot give its agreement to the process of investigation envisaged by Mobile Team 103. In other words, the South Vietnamese Government raised the question of principle as to whether the team is to carry out its investigation in accordance with the instructions of the Commission or within the restrictions established by the South Vietnamese Government.

2. Faced with this issue, Mr. Parthasarathi decided during an interview with President Diem, to explain to him that unless the South Vietnamese agreed to let the team operate in accordance with the instructions of the Commission, the Commission would be forced to withdraw the team. Mr. Parthasarathi gained the impression from his interview that the President would give instructions to the effect that the Team should be allowed to carry out its investigations in accordance with its own instructions. That was on October 13. The next day the three Commissioners met with Colonel Nam who reiterated the position of his Government as stated in their letter of October 12. Mr. Parthasarathi explained to Colonel Nam (who appeared to have certain misconceptions as to how the team would carry out its investigation), that he agreed with the South Vietnamese that certain requests of the team such as the production of a "list of all the persons arrested since the Cease-Fire Agreement who were formerly Resistance workers" were not legitimate requests. He said he would

give instructions to the team to the effect that only village documents such as census register, register of inhabitants, property register, register of births, marriages and deaths, or other documents relevant to the examination of a point at issue should be requested by the team. He also assured Colonel Nam that all witnesses would be questioned in camera, but that it was essential that the team be allowed to proceed to the villages if it were to carry out its investigation "on the spot". Mr. Parthasarathi added that he would give Colonel Nam a copy of the instructions he proposed to send to the team. These instructions were drafted the same day, shown to us, and after a few amendments, were agreed to. A copy such as the one attached† was given to Colonel Nam. Before he left for Hanoi on October 15, Mr. Parthasarathi told Colonel Nam that he should try to avoid raising objections to the team's present instructions which were considered by the Commission to be the minimum requirement for the team to carry out its investigation properly; otherwise, the team would have to be recalled.

3. During the last three days, at the request of Mr. Williams, I have been in contact with Colonel Nam to press him to give his agreement to the team's instructions and to instruct the local authorities to co-operate with the team within the limits of these instructions. I regret to inform you that up to now the position of the South Vietnamese Government as stated in its letter of October 12 has not changed an iota. They still claim that it is their right to decide whether or not the team can proceed to the villages. They are using, amongst other arguments, the lack of security in the area, and claim that only a large number of troops, (which they are unable to put at the disposal of the team) could prevent unfortunate incidents. The South Vietnamese Government, however, declares itself prepared to co-operate with the Commission if the Commission will limit its investigation to visiting the Vinh Trinh Dam (which it has done already) where the alleged massacre is said to have occurred and to questioning the witnesses listed by the PAVN and those listed by the South Vietnamese Government at a place such as Faifo or Tourane.

4. The South Vietnamese Government does not appear to fear very much the investigation of the incidents which occurred in the Duy Xuyen area. They claim that these incidents were perpetrated by dissident forces or were a settlement of accounts between Viet Minh agents and other dissident forces. What they fear is the presence of the Commission in certain villages which are still under the influence of Viet Minh agents. It would be a serious loss of prestige for the Southern Government to be faced with a situation where the population of certain villages at the instigation of Viet Minh agents would protest to the Commission against the Government. There is the main objection of the South to letting the team proceed to the villages. Instead of using obstructionist measures which are a "couteau à deux tranchants" the South would like the Commission to be realistic and to take account of Viet Minh subversive activities in the South. In addition, we might as well recognize it, the South has little faith in the impartiality of the Indians. No amount of argument will make them change their opinion. As I said before, the only way the South will agree to the investigation is if it is limited to the questioning of witnesses listed by the PAVN and the witnesses listed by the South Government, and if the investigation is conducted at Faifo or Tourane. They will not allow the team to carry out its investigation in all the villages where it wishes to go. They have the serious task of establishing law and order in an area which is infested with Viet Minh agents and they will not let anything interfere with the success of this task.

5. I warned Colonel Nam, however, that if the South Vietnamese Government were to continue to object as a matter of principle to the team proceeding to the villages, instead of attaining the same goal through other means, we might be unsuccessful in preventing the Commission's decision to withdraw the team. It is evident from my talks with Colonel

Nam that the South is prepared to take the risk, but it is anxious that we do everything in our power to try to influence our colleagues in the Commission to agree to limiting the investigation to the questioning of the witnesses of both sides at Faifo or Tourane.

6. This case illustrates clearly that 14(c) cases are becoming a serious source of irritation for the South and may endanger the present structure of the Commission. I have been told by Colonel Nam that the South is now preparing a letter to be Commission in which it will question the present use of Article 14(c) which, in their opinion, has not only been abused by the North but has become a means of propaganda against the South, a situation which the South cannot tolerate any longer. We may, therefore, be faced with a new crisis and the Commission will have to bring the matter to the attention of the Co-Chairmen. In a way, the proposed action of the South Vietnamese is probably a desirable thing. There is little doubt that 14(c) cases are becoming a farce. The moment a man is arrested in the South, Viet Minh agents report to the North and an allegation against the South is sent to the Commission. The North provides the facts, i.e., the name of the individual, the date and place of his arrest, that he has been arrested because he is a former Resistance worker and therefore a 14(c) case. Faced with such evidence, the Commission considers that there is a *prima facie* case and it asks the South for comments. While these allegations are seldom proved, the damage is done. As Voltaire said, "Mentez, mentez, il en restera toujours quelque chose". The beauty of the process for the North is that the onus is put on the South to disprove the allegation. The Vietnamese Liaison Mission is pestered with requests for comments from the Commission and innumerable reminders. In order for the South to satisfy the Commission that the person arrested is not a 14(c) case, it has to produce court documents; in other words, it has to justify itself for the arrest of an individual who has committed any ordinary offence under the common law and which does not concern the Commission. It requires considerable time and is not an easy task in a country such as South Vietnam with poor communications and a recent history of internal disturbances. There is also the case of people who are Viet Minh agents and who are working against the Government. These people are not always arrested for a specific action against the Government, but as security risks. Unless the Commission takes into consideration the special circumstances existing in South Vietnam where subversive agents are operating under instructions from the North, there will be no end to the problem. Where the Indians fail to be impartial and objective is when they refuse to acknowledge the difference between the régime in the North and that in the South. One is a régime which controls entirely the population through its police system, while the other suffers from all the inefficiency and encumbrances of a free society. One can use any means to obstruct the investigation of the Commission, to play the game successfully. The other is, due to its political system, unable to use these means. For the above reasons it is probably desirable that the South raise the whole issue and that the matter be brought to the attention of the Co-Chairmen.

7. This despatch is being sent from this office directly at the request of Mr. Williams.

M. GAUVIN
The Delegation

665. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1887 Washington, October 22, 1956

CONFIDENTIAL. CANADIAN EYES ONLY.

VALUE OF RETAINING INTERNATIONAL COMMISSIONS IN INDOCHINA

You will recall that in a departmental memo of August 3 to the minister reference was made to a message from the Australian Minister in Saigon to Canberra and conversations he had had with Sebald of the Bureau of Far Eastern Affairs and Reinhardt concerning the usefulness of the International Commission in Vietnam. Sebald had indicated that he was not at all convinced that the continuing presence of the International Commission was a good thing. Reinhardt had said it was his view that the Commission should stay on until the beginning of 1957. In view of these reports indicating a sceptical attitude among some USA officials, you will recall that before the departure for South East Asia of Mr. Allen Dulles, Director of the Central Intelligence Agency, I reported by phone to the Department that I had told him that we would welcome on his return his personal assessment of the value of retaining the Commissions in Indochina. Allen Dulles had said that he would be very glad to do this.

2. Since Allen Dulles' return, there have been two opportunities of informal conversations with him. The first was on October 16 on the occasion of Glazebrook's leave taking and Rae's arrival. Allen Dulles was fresh from the Indochina scene and had spend some time in South Vietnam and Cambodia, although he did not apparently visit Laos, as reported from Delhi (see Delhi Despatch 1402 September 17†), "since delicate negotiations were going on there, and his visit might have been misinterpreted". Mr. Dulles took the initiative in stating that in his view the Commissions were doing a valuable job, and despite the difficulties and frustrations for the Canadians, of which he was aware, the work should continue. He was aware in particular of the drain on our manpower. Since two of the senior members of the CIA staff had visited Saigon at the end of 1954 and had reported on the precarious position of the administration in South Vietnam, his recent visit had enabled him to confirm the substantial progress which had been made towards strengthening the position in the South and reaching a point of comparative stability.

3. I had the opportunity of a personal chat with Allen Dulles last Saturday evening, the 20th, at the Italian Embassy. Later I expect to have a longer talk with him but meantime I think you should know that his general conclusion is that the Commissions *are* discharging an important and useful function. Although his comment had a particular reference to the situation in Laos, which he regards as critical, he said that in his opinion the Commission's presence remained valuable in Vietnam, and Cambodia also, although the Cambodian situation was different and it might be that the same criteria did not apply. At any rate, there was no doubt in his mind as to Laos. The Laotian situation was closely connected with that in Vietnam because of the Vietminh connection with the Pathet Lao.

4. Allen Dulles reminded me that this was to be taken as a *personal* opinion only, that he had not yet discussed this matter with the State Department and that he therefore wished us to regard his view as entirely personal and confidential.

5. So far as State Department views are concerned, you may be interested incidentally to know that on two occasions in the last three weeks in the course of informal conversations an officer of this Embassy has had with Kattenburg on the Vietnam desk, the latter said that if we were to ask for State Department views concerning the value of the International Commission in Vietnam, the answer would probably be that the Vietnam Commission is regarded as useful and should if possible be kept in being for the present. These remarks were made in connection with the possible Commission discussion of MAAG, and the rider was added that, if the Commission should attempt "to legislate MAAG out of existence", these State Department views on the value of the Vietnam Commission would have to be reexamined.

6. You will be glad to know that Allen Dulles spoke in the highest terms of our High Commissioner in Delhi, Escott Reid, with whom he had talked at some length (see Reid's despatch 1402 September 17†).

[A.D.P.] HEENEY

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666. DEA/50052-A-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1963 Washington, October 31, 1956

CONFIDENTIAL. CANADIAN EYES ONLY.
Reference: Our tel 1887 Oct 22.

VALUE OF RETAINING INTERNATIONAL COMMISSIONS IN INDOCHINA

In my reply (October 27) to Holmes' personal and confidential letter to me of October 23,† I mentioned Allen Dulles' suggestion that I seek the current view of Walter Robertson, Assistant Secretary of State for Far Eastern Affairs. This I had an opportunity of doing after dinner last evening.

2. Stripped to the bone, Robertson's expressed opinion was that the Commission in Vietnam still performed an important and useful function, that the Cambodia Commission could be liquidated at any time without significant results, good or bad, and that in Laos it was very difficult to assess the value of the Commission's presence. With respect to Laos, Robertson said that he would be prepared to accept the judgement of the Canadian member as being in a better position to weigh the pros and cons than anybody else.

3. Robertson spoke in the familiar critical strain of the activities of the Indian members of the Commissions, dismissed the Poles as in all respects Communist agents and praised the work of the Canadians. With regard to Laos, he was convinced that Pathet Lao remained what it had always been, an agency of Vietminh, that the Communists were planning a "take over" of the Government. The Indians were playing the Communist game. It remained to be seen whether the Royal Government could stand against this constant pressure and manoeuvre. In these circumstances it was difficult to assess the role of the International Commission. Bridle, for whom Robertson expressed admiration and respect, could

give the best judgement and the USA authorities would accept his as the best informed opinion.[40]

[A.D.P.] HEENEY

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667. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au sous-secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Under-Secretary of State for External Affairs

DESPATCH NO. 489 Hanoi, November 7, 1956

SECRET. CANADIAN EYES ONLY.

Reference: My Memorandum of June 14, 1956 to Mr. J.W. Holmes.

CANADIAN POLICY ON THE COMMISSION

Nearly five months have passed since the memorandum under reference was written. At that time we were concerned with maintaining the Commission in operation and with the action which South Vietnam would have to take within the context of the Cease-Fire Agreement in order to meet the price which seemed to be demanded by the Indians for continued participation in the Commission. The Commission is still functioning and at the moment it seems unlikely that it will break up in the near future. This is due to more than one circumstance: during July and August South Vietnam began to provide "practical co-operation" to the Commission, and for a time it appeared that this co-operation would be substantial. The Co-Chairmen so far have raised no objections about the arrangements which were worked out between the French and the South Vietnamese. The Indians appear to have softened their legalistic approach to the problem and we infer from their behaviour that they are willing, if not anxious, to see the Commission remain in operation. The attitude of the PAVN is hard to fathom, but General Giap's letter of August 21 questioned the basis of the new arrangements, and caused the Commission to seek guidance from the Co-Chairmen. We are, therefore, left with a situation in which no one seems inclined to bring the Commission to an end, although, ironically, the only legal party left — the PAVN High Command — probably is less enthusiastic about continuation of the Commission than is anyone else. It is probably safe to say that all interested parties, including the Commission powers, are fed up, but are not anxious to destroy the cease-fire structure.

2. At present, the Commission's time is taken up by three aspects of the Cease-Fire Agreement:

(a) The Commission continues to be concerned with the Demilitarized Zone and the Demarcation Line. Both parties regularly make complaints about incidents on the opposite side of the Line and the Commission investigates these charges. At the same time the Commission concerns itself with the administrative arrangements in the Demilitarized Zone and is working with the parties to find arrangements which are consistent both with the requirements of the parties and with the provisions of the Cease-Fire Agreement itself;

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[40] Pour la réponse à ce télégramme, voir le document 723.
For the response to this telegram, see Document 723.

the main concern at the moment is to maintain order in the Demilitarized Zones on both sides of the Line and to ensure that authorized persons are able to move freely across the Line in accordance with the provisions of the Agreement. The problem is complicated[41] by the PAVN's apparent reluctance to participate in the Joint Commission under the new arrangements (see my telegram No. 346 of October 22†).

(b) Article 14(c) continues to absorb a disproportionate amount of the Commission's time. Most 14(c) complaints come from the PAVN, and in our opinion this Article has converted the Commission into a propaganda organ for the North. The South, in its efforts to weed out Communist agents, and thus to ensure the security of the State, arrests and harasses "former resistance workers". The standards of evidence are so low that a high proportion of the arrests made by the South turn into 14(c) cases; the South by not replying to Commission letters lends credence to these charges. Over a period of time the situation is created on paper which leads the casual onlooker to believe that the South possesses one of the most oppressive régimes ever created. Through inaction, the Commission has made it impossible for the South to balance the record by making charges about PAVN subversion and sabotage, and there is no indication now that the record will be made any less one-sided. (The present position of the Legal Committee's report on espionage, sabotage and subversion is described in a letter† being sent to you today.)

(c) Articles 16, 17 and 19 are also being used with good effect by the PAVN. Commission control in South Vietnam is effective enough, and international traffic is heavy enough, to result in innumerable petty violations of Commission procedure and of the Agreement, as well as a few major violations. The lack of effective control in the North, however, has enabled the PAVN, by one single, all-embracing act of denial of Articles 16 and 17, to avoid any violations.[42] In present circumstances, we have no reason to believe that the situation will improve. The PAVN, the Poles and the Indians all are inclined to apply pressure on the United States and to criticize U.S. operations in South Vietnam. Each has its own motives: The PAVN is always seeking methods of discrediting the Diem government, and in addition probably is genuinely afraid of a military build-up in the South. The Poles are undoubtedly acting under orders from Moscow and furthering the general Soviet-bloc aim of discrediting and undercutting U.S. influence wherever it is encountered. The Indian attitude, although less easily analyzed, probably is influenced by their belief that United States influence in Southeast Asia is a new form of colonialism.

It is highly unlikely that the South will be allowed to import military equipment to replace that exported by the French; indeed, if we read the handwriting on the wall correctly, it will be very difficult for them to establish any form of import credit. We doubt if there is any way to legalize any import of war material from the U.S.[43] We may as well accept this fact, and decide how far we are prepared to dissociate ourselves from U.S. action along these lines.

Article 19 also will become more embarrassing for the South, since the Commission is coming closer and closer to a full-scale inquiry into U.S. military assistance and the question of a *de facto* military alliance. Until now, the strongest efforts this Delegation have been able to make have done little more than slow the pace.

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[41] Note marginale :/Marginal Note:
? obscure [A.R. Menzies]

[42] Note marginale :/Marginal Note:
? [A.R. Menzies]

[43] Note marginale :/Marginal Note:
Why? ?? [A.R. Menzies]

3. Therefore, although our primary goal of maintaining the Commission has been realized, the virtues of this goal are becoming less obvious as time passes.[44] In my memorandum I guessed that cooperation provided by the South would be too little and too late. After an initial spurt of cooperation, the South have lived up to our guess. They are about to question the applicability of 14(c); they have become intransigent on the question of mobile teams and they more and more tend to argue their cases in terms of national sovereignty, and not in terms of cooperation with the Commission. All this could lead to another Commission crisis, and a special report to the Co-Chairmen which would be based[45] on the lack of cooperation shown by the South. Needless to say, this would provide the PAVN and the Poles with a new batch of propaganda, and would give the Indians an excuse for leaving the Commission and throwing the blame on the South for destroying the cease-fire structure.[46] The Canadian Delegation is not under the illusion that the PAVN is providing any more cooperation than is South Vietnam; however the PAVN are cleverer in evading Commission demands. Their security system is efficient enough to prevent any information leaking out, and the nature of the country is such as to make evasion of control under Articles 16 and 17 a fairly simple matter. It seems increasingly apparent in addition, that the Indians have a tendency to cushion any blow which might fall on the PAVN; this tendency is not a result of sympathy for Communism, but certainly stems partly from the Indian feeling that the lack of nation-wide elections has deprived the PAVN of something which was theirs. I also suspect that the Indians lean emotionally towards the North, and that until recently anyway, they bracketed Diem with Syngman Rhee and Chiang Kai-shek.

4. The net result of all this is a steady blackening of the South in Commission records; the Commission more and more becomes a propaganda weapon with which the PAVN beat the Government of South Vietnam and the role of the Commission as an international judge and arbiter becomes more of a farce every day.[47] A few months ago the Canadian Delegation was caught between two opposing forces — the Indians who laid down certain conditions for their continued participation in the Commission, and the South Vietnamese who would not give enough cooperation to meet the Indian conditions. Once again we find ourselves caught between two forces, but this time not in the context of maintaining the Commission, but primarily because of our desire to produce a balanced record. We agree with your desire not to be blind advocates of the South, but it is distasteful to be completely impartial and thereby watch the record being shaped into an anti-South Vietnamese and anti-United States propaganda weapon.

5. The South, therefore, is being painted as the offending party, and under present arrangements there is little we can do to prevent this one-sided case from being built up.[48] We should take some action, and there are a number of courses open to us. We could withdraw from the Commission, and by doing so, bring it to an end. We could try to have

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[44] Note marginale :/Marginal Note:
? [A.R. Menzies]

[45] Note marginale :/Marginal Note:
? [A.R. Menzies]

[46] Note marginale :/Marginal Note:
extremism [A.R. Menzies]

[47] Note marginale :/Marginal Note:
but that's not the whole story. ? [A.R. Menzies]

[48] Note marginale :/Marginal Note:
? [A.R. Menzies]

the Agreement re-written in more realistic terms.[49] Finally, we could continue on under existing arrangements, while trying more positively to redress the balance.

6. There are a number of difficulties involved in our taking the initiative in breaking up the Commission. To take the initiative, we would have to have an argument which would justify our action to world opinion; while on the surface it appears that we have a case against the North, we find, when we put it down on paper in factual terms, that it is not as convincing as we would like. We must face the unpleasant fact that much of the lack of control in North Vietnam is the fault of the Commission itself and, by association, of the Canadian Delegation. In addition, any case we could make against the North would be pretty effectively counter-balanced by the case which the Indians and the Poles could make against the South.[50]

7. Tactically, our strongest[51] approach probably would be through a unilateral decision to withdraw from the Commission on, say, 30 days' notice. We could refer to the statement of July 28, 1954, in which the Canadian Government said that it believed "the Commissions have a reasonable chance of operating effectively ...." and added that "if our expectations unfortunately prove ill-founded, and the Commissions are frustrated by obstruction, then, of course, no useful purpose would be served by continuing their existence." However, although this would give us the propaganda initiative, it would antagonize the Indians. We therefore would have to avoid unilateral action, and yet if we consulted the Indians first we might find our action turned against us. South Vietnam, on the other hand, may decide to ask the Commission to leave. Especially if it continues to feel it is being persecuted by the Indian-Polish majority. If it does contemplate action such as this, its position would be strengthened if it timed its move to coincide with the release of a biased interim report which contained a strong Canadian minority. Canada conceivably might not discourage such drastic action by South Vietnam (and the United States); indeed, at some time we might welcome such a move, provided we were given enough time to make the necessary minority report.

8. The appraisal of the military strength of South Vietnam which was sent to you with our Despatch No. 471 of October 31† painted a discouraging picture, and since the appraisal was written, we have become even more pessimistic. We must admit that no one knows what deterrent force the Commission possesses but we must take into account the possibility that the withdrawal of the Commission would upset the balance in Vietnam and endanger the security of the South. For this reason, as well as for the reasons outlined above, any attempt on our part to break up the Commission would have very serious implications, and would require very careful consideration.

9. The final difficulty involved in breaking up the Commission is the fact that, confronted with crises in the Middle East and in Eastern Europe, few countries would be very happy if we started rocking the boat in Vietnam.

10. The second most drastic action which we could take would be to press for a revision of the Cease-Fire Agreement. This would have a number of advantages: It probably would give us an opportunity to reduce our commitments in Vietnam, and it would cut out a lot of the deadwood in the present Agreement. Such a revision, however, would require agree-

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[49] Note marginale :/Marginal Note:
or at least maintain a *de facto* reduction in activities. [A.R. Menzies]

[50] Note marginale :/Marginal Note:
so what [A.R. Menzies]

[51] Note marginale :/Marginal Note:
? [A.R. Menzies]

ment by both North and South Vietnam and might entail a new Geneva conference with all the horse-trading this would involve. At the present time I suspect it would be extremely difficult to arrange.

11. If we cannot withdraw from the Commission, and if we cannot get the Commission's terms of reference revised, then I suppose we must resign ourselves to staying here and trying to redress the balance between the PAVN and South Vietnam. If things go on the way they have been in the past two months, we have little hope of maintaining a balance or of shaping the record.[52] Every day we are faced with the difficulty of proving anything against the PAVN, and as long as circumstances remain the same I think that the criticisms found in the Sixth Interim Report represent the summit of our efforts in this respect. We try to cushion the blows against the South, but even with the best cases we have difficulty in carrying our arguments against the Indians and Poles. Added to this is the apparent unwillingness of South Vietnam to go beyond a certain point in its cooperation with the Commission; probably it is at least willing to have the Commission hang around and guarantee the 17th Parallel, but it wants to get this protection as cheaply as possible. (In this connection you will be interested in Saigon letter No. 265 of November 1, which is attached as Appendix "B".† Although I do not agree with all of Mr. Gauvin's comments, it is useful to have the impressions of someone who has associated with the South Vietnamese officials for nearly a year.) The South has made it quite clear that it will not accept meddling by a supra-national agency in its internal affairs, and it is equally clear that neither South Vietnam nor the United States intend to let the Commission interfere with the military build-up of the country. The United States philosophy of "the spirit of Articles 16 and 17" has our sympathy, but we are only one member of the Commission and the other two Delegations (and the PAVN) show more interest in literal interpretation of the Agreement than in metaphysical analysis.

12. I should therefore like to reiterate that as long as circumstances remain as they are, our continued participation in the Commission can only result in continuing harsh criticism of the South and a resultant propaganda victory for the North.[53]

13. If we are to remain in Vietnam it seems clear that we must do something to change the circumstances and the policy under which we work. Our whole approach prevents us from becoming blind advocates of the South; we would find it difficult to live with ourselves if we become as partial as the Poles. We may as well face the fact that the United States and South Vietnam will continue to cooperate in the defence field, and thereby provide more raw material for the PAVN propaganda machine. Our only positive policy, therefore, can be to soften the attack wherever possible and to agree with the majority when clear-cut violations of the Agreement are found. It will do us no good to defend impossible cases, and both South Vietnam and the United States should be told this. We have been giving the South some advice on how to avoid censure in the day-to-day operations of the Commission; in matters such as these we are not giving up impartiality but are simply encouraging a party to give more cooperation to the Commission.

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[52] Note marginale :/Marginal Note:
? [A.R. Menzies]

[53] Note marginale :/Marginal Note:
It is not really our participation as such, but the facts of life of the Commission [A.R. Menzies]

14. We shall, of course, continue to press for Commission action against the PAVN wherever there are grounds for this.[54] Our resources, however, are being drained away steadily,[55] and it will be increasingly difficult for us to accomplish anything in this field unless there are some well-founded allegations against the PAVN. We could provide the South Vietnamese with the raw material for a few such allegations but in our opinion this is a dangerous and undesirable course. We would prefer that the allegations, particularly under Articles 16 and 17, be coordinated between the United States and South Vietnam. Surely there is intelligence material available which, by judicious revision, could be used to bring pressure to bear against the PAVN. I think it would be useful if this question could be discussed with the State Department with a view to working out some procedure which would keep us from coming into direct contact with the South Vietnamese and which would make the United States officials in Saigon the guiding force behind a campaign of well-founded allegations. This would provide the ammunition which we require. (Appendix "A"† contains Mr. Bauer's estimate of the job confronting us during the next few months if we are to obtain any balance at all in the Seventh Interim Report. There are only three headings under which South Vietnamese allegations are required, but these involve key subjects.)

15. The problem is an urgent one. Eventually we will be faced with the Seventh Interim Report and before this, I suspect that the Indians and the Poles will attempt some special report on cooperation. Any general report on cooperation or control would work against the South at this time.

B.M. WILLIAMS

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668. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance
pour le Vietnam
à la délégation à Saigon

Commissioner, International Supervisory Commission for Vietnam,
to Delegation in Saigon

TELEGRAM 432 Hanoi, November 10, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Your tel 547 Nov 9.†

Repeat External No. 363; Delhi No. 118 (Information).

SOUTH VIETNAM AND 14(C)

We have sounded out Parthasarathi of possible reaction to South Vietnamese refusal to cooperate any longer on 14(c) cases. This telegram being repeated to Ottawa in order to obtain advice from Department, and meanwhile you should offer Nam no, repeat no, advice as to course of action he should follow. If UK Embassy wishes to draw conclusions from following info and advise Nam on basis of it, that is up to them, but Canadian delegation should stay clear of question, at least for now.

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[54] Note marginale :/Marginal Note:

What about: 1. Coastal Rec[onaissan]ce ?
2. Phuc Hoa
3. democratic liberties
4. trains at Langson
5. representation in Joint Commission
6. XA Doai [A.R. Menzies]

[55] Note marginale :/Marginal Note:

does this mean the availability of useful C[ana]d[ia]n officers? [A.R. Menzies]

2. Parthasarathi could give no repeat no opinion about what Delhi's reaction would be if South Vietnam were to tell Commission it would no repeat no longer entertain 14(c) enquiries. However, a statement like this from the South would not repeat not surprise him. He would favour passing it on to the Co-Chairmen, and asking them what to do. Commission would not repeat not necessarily suspend operations while waiting for reply.

3. I have impression Parthasarathi personally would welcome a move like this, but only as a means of bringing the realities of the situation out into the open; the South is dragging its feet on 14(c) and a blanket refusal would force the issue and get us away from the frustrating delaying game which is now being played.

4. As Parthasarathi asked, how far can the Commission (and the Co-Chairmen) go, while still retaining their self respect? They have compromised on the question of a responsible party; they have compromised on the legal basis of the cease-fire; the South's refusal to cooperate on 14(c) would mean that the very terms of the agreement were being set aside. Could the Commission proper and the Co-Chairmen swallow this too?

5. It is difficult to assess the PAVN's present attitude towards the Commission. Undoubtedly a refusal by the South to cooperate in 14(c) would result in harsh words or possibly even a harsh line in the North.

6. I do not repeat not think anyone is interested in having the Vietnam boat rocked at this time, and the South's proposed course of action could rock it; it might even result in capsizing. We can understand the South's position, but in present circumstances we cannot avoid feeling that a move now would have unpredictable, but probably undesirable, results. A delay of a few weeks would not weaken their position appreciably, but probably would make it easier for everyone concerned.

7. (Nam's earlier 14(c) memo is in the Commission mill now, and some decision should be taken in the next fortnight).

8. We realize that the South is becoming impatient with the Commission; however, the Commission is capable of the same feeling.

[B.M.] WILLIAMS

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669. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-297 Ottawa, November 13, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Your telegram 363 November 10.
Repeat Saigon (Routine).
By bag New Delhi, Washington, London, Paris, Canberra and Wellington.

SOUTH VIETNAM AND ARTICLE 14(C)

It seems to us that there are three principal considerations in determining our policy on this matter. First, whether Article 14(c) investigations serve any useful purpose. Second, any action by the South should not place Diem's Government in a bad light. Third, we ourselves should not become involved or appear to be in the position of concerting with the South on their reported initiative.

2. We do not believe that any positive contribution which the Commission may make to the maintenance of the *status quo* in Vietnam can be considered as arising from Commission activities under Article 14(c). We would therefore welcome a cessation of these activities and any consequent reduction in our commitment in Vietnam, although we would not wish to counsel the South to take the action which they contemplate.

3. If there is to be any reduction in the Commission's activities someone must take the initiative and the abandonment of 14(c) investigations and correspondence might be a useful first step. It would be important though, that any action by the South should not be such that it would simply reflect a negative attitude towards the Commission and a refusal to cooperate.

4. Before giving any firm opinion about the action which the South Vietnamese authorities propose to take, we would wish to know the precise terms of their communication. However, it seems to us that, until the Commission has discovered on the basis of its investigations that complaints from the North are largely propaganda, the South will be on relatively weak grounds in arguing that 14(c) investigations should no longer be initiated.

5. Perhaps the grounds which we would find easiest to defend and on which the South could argue that 14(c) investigations should be terminated would be along the following lines. The Geneva Agreements when originally drawn up foresaw an uncertain political situation continuing in Vietnam in the immediate post-armistice period. It was important that during this period the political rights of the people should be safeguarded. The situation now has changed inasmuch as the political situation has stabilized and national elections apparently will not be held in the foreseeable future. Moreover, civil authority and government administration have been re-established throughout the South and the people now have the benefit of recourse to the normal procedures of the law. In these circumstances an indefinite continuation of investigations by the International Commission with their consequent burden on the civil authorities would not appear to be reasonable. The authorities in the South therefore trust that the Commission will review its position on this matter and that further requests for investigations under Article 14(c) will not be submitted. At the same time, the authorities in the South do not propose to make any further complaints about the suppression of democratic liberties in North Vietnam.

6. In our previous paragraph we have endeavoured to put an argument for termination of Article 14(c) investigations more or less on a basis of principle. We appreciate that the South have a good many other arguments based on particular aspects of the situation, e.g. the presence of Viet Minh agents who prevent objective findings by the teams.

7. We agree with your advice to our Saigon office to counsel delay on the part of the authorities in the South in transmitting to the Commission the communication which they have under consideration. You might indicate informally to the South authorities that we are not in principle opposed to their intention. We would like to have more information about both its form and the timing of their approach to the International Commission.

8. As an initiative of this kind on the part of the South would have to be carefully contained and directed along what we would consider to be a useful channel, we are approaching the U.K. High Commissioner's Office in order that there may be a full understanding

of our respective positions and so that we may, if necessary, act in concert in providing comments to the Southern authorities.

9. If you see no objection please arrange for our Saigon office to inform the authorities in the South about our initial reaction (without mentioning our approach to the U.K.) and forward if possible more detailed information about the nature of the communication to the Commission which is under consideration in Saigon.

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670. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM INCHIN-274 Saigon, November 16, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Your tel YY297 Nov 14.

Repeat London, Washington and Paris from Ottawa (Information).

By bag Hanoi and Canberra, Wellington from London.

SOUTH VIETNAM AND 14(C)

Your telegram under reference arrived just as Gauvin and I were on our way to call on Foreign Minister. I arrived in Saigon yesterday afternoon and shortly after my arrival Gauvin and I had an hour with Stephenson who wanted to discuss 14(c) with me. In my presence Stephenson drafted a telegram to the Foreign Office in which he indicated that he would try to encourage the South Vietnamese to delay taking any action until Parthasarathi arrives in Saigon on November 24. It seemed to me that there was considerable merit in South Vietnam trying to carry Parthasarathi with them in their determination to get out from under 14(c). It was my view, which Stephenson supported, that it would be useful for Parthasarathi to have informal conversations with the South about this matter and, indeed, for Stephenson himself to talk it over with Parthasarathi. Stephenson asked me when I called upon Mau today to suggest to the Foreign Minister that he await the arrival of Parthasarathi.

2. When we saw Mau this afternoon I conveyed informally the views contained in paragraph 7 of your telegram under reference. Mau asked me to thank you for your comprehension and understanding of the position of his Government. He assured me that he would not repeat not take precipitate action. He plans to give us a copy of his draft letter. He was also receptive to the idea that there would be merit in discussing the issue informally with Parthasarathi.

3. With our Saigon letter 265 of November 16,† which should reach you next week, we sent you a copy of a letter dated November 10† from Gauvin to me in which he filled me in on some of the background negotiations between Colonel Nam, Stephenson and himself with respect to a letter about 14(c) which Nam very nearly sent to the Commission.

4. Stephenson in his telegram to the Foreign Office yesterday emphasized that it was likely the Commission would send any communication from the South about 14(c) to the Co-Chairmen, and the crucial consideration was the form in which this would be done. If

we could be sure that the Commissions would simply refer the South's letter without any comments there would be no repeat no major difficulties. It has not repeat not been our experience, however, that the Commission is inclined to send communications to the Co-Chairmen without at the same time muddying the waters.

5. For the moment there is little more that we can do. We shall of course keep you informed. Though I do not repeat not intend in this communication to comment on the line of approach which you set forth in paragraph five of your telegram under reference, I am not repeat not certain that I understand fully the implications of the penultimate sentence of this paragraph.

[B.M.] WILLIAMS

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671. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM INCHIN-276 Saigon, November 17, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: My INCHIN 274 Nov 16.
Repeat Hanoi 572; London, Washington and Paris from Ottawa (Information).
By bag Canberra, Wellington from London.

SOUTH VIETNAM AND 14(C)

It seems that the best method of getting South Vietnam to do something is for us to advise them not repeat not to do it. Colonel Nam called on me this morning and delivered a letter dated November 17 which he said he had delivered earlier this morning to the other delegations about South Vietnam's attitude to 14(c). The substantive part of the letter reads: "The Government of the Republic of Vietnam will no repeat no longer from this day on entertain complaints under Article 14(c)."

2. Nam, in justification of this sudden action, said that before I had spoken to Mau, the latter had again thought over this question and had realized that it would be better to send the letter immediately to Parthasarathi so that he would handle the problem rather than his successor. Mau apparently believes that Parthasarathi will be more understanding of their position. Further, according to Nam, the South believes that if it waits until Parthasarathi comes here on November 24 he might counsel amending the letter or not repeat not signing it at all, and this would embarrass the South since its decision is final.

3. Though it is difficult to forecast the effect that this letter will have on the Commission, past experience leads us to believe that we are about to enter another period of soul searching. Our colleagues on the Commission *may* conclude that the South have gone too far. I am personally somewhat embarrassed by the timing of the South's action. I fear that my colleagues may establish in their minds a cause and effect relationship between my presence here and the issuance of the letter.

4. Our immediately following telegram† contains a brief summary of the South's letter.

[B.M.] WILLIAMS

672. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM YY-322 Ottawa, November 22, 1956

CONFIDENTIAL. IMMEDIATE.

Reference: Your telegrams 276 and 277† of November 17.
Repeat Hanoi, London, Washington and Paris (Information. Routine).
By bag Canberra and Wellington.

SOUTH VIETNAMESE LETTER RE 14(C)

Our preliminary reaction to the text of the South Vietnamese letter is that it does provide a not repeat not unreasonable basis for questioning the activities of the Commission under Article 14(c). We are also pleased to note that the letter does not repeat not reject the principles enunciated in 14(c) and implicit in the letter is the South Vietnamese Government's intention to respect democratic liberties. The principal weakness of the case which is put up by the South would appear to be that full investigations by the Commission ought to be able to confirm some of the allegations about Viet Minh activities.

2. To some extent the terms of the South Vietnamese letter tend to involve the Commission and a case might be made for the Commission endeavouring to pursue this matter with the authorities in the South before referring the letter to the Co-Chairmen. We note that the letter starts off with the references to inaction of the Commission re the South Vietnamese communications of last November and December making observations and inquiries about Article 14(c) procedures. The South further allege that the Commission's delay has allowed the PAVN to increase its activities. Secondly, the authorities in the South place an interpretation on Article 14(c) different from that of the Commission and this interpretation presumably has not repeat not been discussed before with the Commission.

3. However, while it might be difficult to object to the Commission attempting to deal to some extent with the letter, we see no useful purpose in the Commission entering into discussions with the South on this matter. We think it would be better if the Commission were to carry on its other activities in the normal way while awaiting the Co-Chairmen's observations. We objected to the Commission commenting to the Co-Chairmen on Giap's letter but each case needs to be examined independently as to whether it requires Commission comments. In this case some explanation might well be given to the Co-Chairmen about the references to the South Vietnamese note of November 14, 1955, and its other communications to the Commission. Secondly, the Commission could also usefully point out to the Co-Chairmen that in the meantime it will carry on its other activities. Thirdly, we would not repeat not object if the Commission stated in its transmittal letter to the Co-Chairmen that its activities under Article 14(c) have been effectively suspended and the Commission can not repeat not therefore continue to discharge what hitherto it has considered its responsibilities. We would like to see this third point made because, in the case of the mobile team at Phuc Hoa, we would wish the Commission to make a somewhat comparable statement to the Co-Chairmen about being unable to discharge its responsibility with regards to arms control.

4. I assume that should Parthasarathi tend to take any extreme position on the action which the Commission now should take, e.g. suspending Commission activities, you will observe that the letter from the South Vietnamese is not repeat not in effect a negation of the principles enunciated in 14(c) and does not repeat not imply that it will not respect the general obligation to permit democratic freedoms for former partisans.

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673. DEA/50052-A-40

Le ministre de la Santé et du Bien-être
au secrétaire d'État aux Affaires extérieures

Minister of Health and Welfare
to Secretary of State for External Affairs

PERSONAL AND CONFIDENTIAL. Vientiane, November 24, 1956

My dear Mike [Pearson]:

VIETNAM

Before leaving Indochina I thought I would like to write you personal letters giving you some of my quickly formed impressions of the three states I have visited, some of their problems I have had exposed to me and the work of the Canadian Delegations here.

You will realize, of course, that in a flying visit of this kind one can only form snap impressions. Nevertheless, into the time available I have packed a crowded programme with a number of intensely interesting talks and some personal observations of the life of the people here. Perhaps it would be most convenient if I were to set out my thoughts in three separate letters dealing with Vietnam, Cambodia and Laos, respectively.

I was tremendously impressed with President Diem and what he has been able to pull together out of what was regarded as a pretty hopeless situation two years ago. He is a man of courage, conviction and clear conception of the enormous tasks confronting him in trying to restore life and sense of purpose to that half of Vietnam which he has been left by the Geneva Settlement. A report† was sent from Saigon giving an account of my talk with him. The salient points might be summarized as follows:

(a) Diem has established effective political and military control over South Vietnam and has rallied his people to the task of building a new nation.

(b) He now faces the problem of economic improvement through an improved taxation system and building up exports in order to reduce his dependence on United States aid, which reflects on South Vietnamese independence.

(c) He hopes to be able to convince the other countries of southeast Asia that his Government is truly independent and nationalist.

(d) He expects that the position of the Vietminh régime will be weakened due to (i) their pressing "reforms" too far and too fast; (ii) their weak economy and (iii) their obvious dependence on the Chinese whom the Vietnamese traditionally fear. While we were in Saigon, Chou en-Lai was in Hanoi and reports have been circulating that considerable turbulence exists in North Vietnam. It is rumoured that Ho Che Minh may be displaced.

(e) Diem will only hold talks on unification when the position of his Government is stronger and that of the Vietminh weaker. He told me that when the time comes they will not require any intermediaries: "I will deal with Ho Che Minh (if he is still there) myself."

(f) In the meantime he thinks it useful to have the International Commission present to help maintain stability provided that it does not lend itself too much to Vietminh propaganda or facilitate their subversive activities. I think that Diem would like to see the Commission reduced to a smaller sort of peace observation commission with special responsibilities in the demilitarized zone, but of course he is not prepared to negotiate a revision of the armistice agreement with the Vietminh. The Laotian Foreign Minister suggested that later, perhaps within a year, the Commission should be transformed into a body having an abridged term of reference and possibly operating under the United Nations.

I was impressed with the British Ambassador Stephenson, the American Ambassador and my old co-conspirator from United Nations Assembly days, David McNicol, who is the Australian Minister. All these men are doing a first-rate job keeping their governments sympathetically in tune with the metamorphosis in Vietnam and exercise a salutary influence on Diem and his Ministers. They all thought that Canada could and should play an even more active role in Vietnam than it is now doing through the appointment of a more senior representative in Saigon or, even better, through the concurrent establishment of a diplomatic mission. My own observation is that government policy in this part of the world is formulated and often has to be carried out by a handful of hardworking cabinet ministers. If we wish to influence the policy of Vietnam, for instance, we should not try to do so by sending a Second Secretary to see President Diem. Diem told me that Australia and Canada could play a most useful role in Vietnam because their motives were above suspicion, and because they had practical experience of the world today and useful connections with many countries. A good deal of what we might be doing in Vietnam would not fall clearly within the orbit of the International Commission. I would therefore think that it would be wise to give pretty careful consideration to the possibility of opening a Legation or Embassy in Vietnam in the near future and appointing there a really competent officer with facility in French. This would not just be a reporting post, a trade promotion post or a representation post. I think we could exercise influence in Vietnam in a formative period, but if we are to do so it will only be if we appoint there a man of vigorous intellect and persuasive personality. I, of course, know the problem of opening new missions. I realize how our colleagues sometimes react. However, this is one of the really hot spots and an area in which we can do much good of great importance. We have established diplomatic missions (e.g. Latin America) where I am sure the opportunities for making a valuable contribution are not comparable.

The Americans are underwriting the Government economically, but I believe that a few well-chosen French-speaking technical experts sent to South Vietnam would not only make an important contribution in helping these people to meet their many economic development problems but also increase Canada's general influence in the country. None of the Indochina Governments are too well-informed as to the procedures for filing applications for assistance from Canada. They have a vague feeling that because of our French-speaking education and technical training facilities Canada could do a great deal for them. We have promised them this for going on three years now but so far we have actually done very little. I visited two hospitals in Saigon and without saying which field of assistance should have priority, there can be no doubt that the need exists for considerable improvement in health services and health standards.

I do not think that these people should be penalized for shortcomings in their administrative techniques in filing applications for international aid. Their need is a real one which we in Canada are peculiarly well-equipped to meet. And I think we should make more of an effort to help them to help themselves. This is a supplementary function which our delegations are now performing.

The Canadian personnel on the Vietnam Commission are doing a good job. Bruce Williams is an effective Commissioner. The Canadians are placed in a pretty awkward position now because the South is saying "no" to the Commission and this means that the Indians vote with the Poles in criticizing the lack of cooperation from the South. Arthur Menzies had a long session with the boys and I understand that there was general agreement that they would just have to hump their shoulders and weather the storm.

From all this you will see that I was greatly impressed by my first contacts in Indochina. Vietnam is far away from Canada and after more than two years we have perhaps begun to take the presence of the International Commission in that country and in the other states for granted, and to think largely in terms of how we can cut down on our personnel commitments. I was forcefully impressed that tremendous changes have been taking place in Vietnam in parts of the life of the country which are not under the direct observation of the International Commission. These changes will inevitably have a strong influence on the maintenance of a measure of stability in southeast Asia. Canada's name stands very high in Vietnam. I think we should face up to the challenge of doing even more than we are doing today and I will look forward to talking to you about this when I get back. I am already finding the going very strenuous. Perhaps I am going at it a little too hard. But I would like to do a useful tour.

Yours sincerely,
PAUL [MARTIN]

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674. DEA/50052-A-6-40

Le sous-secrétaire d'État aux Affaires extérieures au commissaire de la Commission internationale de surveillance pour le Vietnam

Under-Secretary of State for External Affairs to Commissioner, International Supervisory Commission for Vietnam

LETTER Y-238 Ottawa, December 3, 1956

SECRET

Reference: Our Telegram YY-335 of November 30.†

REPORT OF THE LEGAL COMMITTEE ON SUBVERSION, SABOTAGE AND ESPIONAGE

Pursuant to the request in paragraph 8 of your Letter No. 492 of November 7†, I enclose a memorandum which sets forth argumentation to show that the International Commission is competent under the CFA and, moreover, that it is under the obligation to entertain complaints of subversion, sabotage and espionage. We hope that this argumentation will assist you in convincing the Indian Delegation that the Commission should acknowledge without further delay some responsibility with regard to the complaints which have been received from the South Vietnamese.

2. We are wondering, however, what the situation now is in the Commission as a result of the refusal of the South to entertain requests for further investigations under Article 14 (c). It is not that we think that the two issues should be linked. As you know, though, in New Delhi there have been already indications that the Indians consider that it would be difficult for the Commission to do anything about the South Vietnamese complaints if they

refuse to cooperate further on Article 14 (c). We do not know what the Indians specifically had in mind but if the South refuse to permit 14 (c) investigations it is hard to see how they could permit investigations into subversion which generally have been part and parcel of the allegations about violations of Article 14 (c). We are under the impression, however, that some of the complaints from the South may be quite separate matters from the 14 (c) complaints. While we would wish to see the Commission formally acknowledge in principle its responsibility to investigate the complaints from the South, we leave it to you to decide whether it is, in fact, feasible to press for actual investigations at the present time.

R.L. ROGERS
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Note de la Direction juridique pour la Direction de l'Extrême-Orient

Memorandum from Legal Division to Far Eastern Division

CONFIDENTIAL [Ottawa], November 29, 1956

Reference: Your memorandum of November 16,† received on November 23, 1956.

C.F.A. FOR VIETNAM — SUBVERSION, SABOTAGE AND ESPIONAGE

You have requested that we provide you with the most suitable argumentation to establish the competence of the International Commission in Vietnam with regard to investigations into subversion, sabotage or espionage complaints. In your opinion, the Commission should assume some responsibility with regard thereto and should start investigating the accumulated complaints of South Vietnam relating to subversive activities in its territory. We have also noted in Hanoi's Despatch No. 492 of November 7, 1956,† — attached to your memorandum under reference — that our Acting Commissioner would appreciate our modifying the views set forth in our memorandum of December 15, 1955, which tended to discourage the International Commission from undertaking investigations into complaints of this nature.

2. We have therefore reconsidered our position in this matter and we would now like to offer the following argumentation.

3. The basis of the International Commission's competence in matter of investigation is set forth in article 37 of the C.F.A. which provides that the Commission "procède aux enquêtes nécessaires" — documentary and on the ground — on its own initiative, or on the request of the Joint Commission or of one of the parties. The competence to carry out investigations is the necessary counterpart of the supervisory functions of the International Commission. To supervise the execution of the Geneva Agreement, the Commission fulfils "the tasks of control, observation, inspection and investigation connected with the application of *the provisions of the agreement* on the cessation of hostilities" (Article 36 of C.F.A.). The competence of International Commission in matters of investigation encompasses all the provisions of the Geneva Agreement.

4. Thus, if acts of subversion, sabotage and espionage come within the scope of any of the provisions of the C.F.A., it must be considered that the International Commission is competent to initiate investigations into complaints relating to such acts.

5. In this connection, it would seem at first sight that articles 10, 22, 24 and 27 of the C.F.A. could have some bearing on the question under review.

6. Article 10 of the C.F.A. provides that the Commanders of the forces of each side shall order and enforce the complete cessation of hostilities by armed forces under their control. (1) Furthermore, article 24 of the C.F.A. provides in part that "the armed forces of each party shall respect the demilitarized zone and the *territory under military control* of the other party and shall *commit no act* (2) and undertake no operation against the other party."

7. On the basis of these provisions, we can justify the following conclusions:

> "All acts which would run counter to the cessation of hostilities by one party or the military personnel or officials thereof would be a direct violation of article 10 of the C.F.A.;
>
> All acts which would cause prejudice to one party or would be tantamount to a violation of the territory under its control by the other party, the military personnel or officials thereof would be tantamount to a direct violation of article 24 of the C.F.A.;
>
> No party could participate to any such acts as accessory or principal without violating article 10 and 27 of the C.F.A.;
>
> When such act or violation has taken place without the knowledge of a party, the party concerned would be under the obligation to punish the culprit suitably (Article 22 of the C.F.A.) and could be accused of negligence in ensuring full compliance with all the provisions of the agreements (Articles 10 and 27 of the C.F.A.)

8. It now remains to be seen whether acts of subversion, sabotage and espionage could fall within the categories of acts prohibited as mentioned in the above paragraph.

Acts of Subversion are acts having a tendency to subvert or overthrow, (in this particular case, the régime of either zone). (See *Oxford Short English Dictionary*, page 2066.)

Acts of Sabotage are acts of destruction or terrorism committed by persons dropped or landed behind the lines of a belligerent (in this particular case in the zone of the other party). (*Manual of Military Law 1951*, part 2, — received in the Dept. from Commonwealth Relations Office on March 9, 1953.)

Acts of Espionage are acts committed by a spy, when acting clandestinely or on false pretences, he obtains or endeavours to obtain information in the zone of the operations of a belligerent with the intention of communicating it to the other party. (Article 29 of the 1907 Hague Convention regarding laws and customs of war on land.)

9. In our opinion all of these acts would run counter to the spirit of the Geneva agreements as a whole. Furthermore, they fall under the prohibitions laid down in Articles 10 and 24 of the C.F.A., when committed by military personnel or officials of one party. These acts are acts of belligerency and necessarily imply a violation of the zone of the other party and, to say the least, they necessarily cause prejudice to the party against which they are committed.

10. Subversion, sabotage and espionage are justified in time of war; it could also be argued that they could be justified if the C.F.A. were a mere armistice agreement in the wider sense of the term. The C.F.A., however, is not a mere armistice agreement, i.e. "all agreements between belligerent forces for a temporary cessation of hostilities". (*Oppenheim's International Law*, Volume 2, page 546.) The Geneva agreement is not a temporary cessation of hostilities but was meant to restore a state of lasting peace in Vietnam. In our opinion, it must be assimilated to preliminaries of peace. "Although ready to *terminate the war* through a treaty of peace, belligerents are frequently not able to settle all the terms at once. In such cases hostilities usually are *brought to an end* by so-called

preliminaries of peace ... such preliminaries are a treaty in themselves, embodying an agreement between the parties regarding such terms of peace as are essential ... The purpose for which preliminaries of peace are agreed upon makes it obvious that such essential terms as are stipulated by them are the basis of the definite treaty of peace". (*Oppenheim's International Law*, Volume 2, page 607.)

11. We therefore come to the conclusion that the International Commission is competent and under the obligation to entertain complaints of subversion, sabotage and espionage.

12. You will have noted from the foregoing comments that although we have envisaged the question under review from a different angle, we nevertheless share the views of the Indian and Canadian representatives on the Commission's Legal Committee, set forth in their report of January 13, 1956. (Although this does not come within the scope of this memorandum we also agree with paras 5, 6 and 7 of the above mentioned report.) We also fully appreciate the reasons which prompted our Delegation to redraft three times this first report in order to meet the revised Indian views on this question, just as we appreciate that it is impossible for Mr. Williams to insist upon the first report being accepted as basis of the Commission's competence in such matters. Although less satisfactory, we nevertheless think that the third Canadian re-draft is acceptable and that it might perhaps serve the same purpose. You may therefore inform Hanoi that we have reconsidered our position as set forth in our memorandum of December 15, 1955 and that we entirely share with their views.

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(1) (The terms "Commander of forces" and "Armed forces" must be read in the general context of the Geneva Agreements. It must be emphasized that the Geneva settlement was not meant to divide Vietnam in two different States. In fact, pending reunification, Vietnam was only divided in two regrouping zones in which the civil administration was to be conducted by the party whose forces were regrouped therein (article 14 (a) of the C.F.A.) Thus, the Geneva Agreements could not be signed in the name of recognized governments but were signed in the name of Commanders in Chief of forces who represented the authority of each party. It is, therefore, our opinion that the term "Commander of the forces" used in the Geneva Agreement must be construed as meaning each party as a whole and not only the military authorities. Similarly, the term "Armed forces" must be construed as including all officials of each party; this interpretation is also justified by a close reading of article 27 of the C.F.A. which stipulates that the "Commander of forces shall make all arrangements necessary to ensure full compliance of the agreement by all *elements* and *military personnel under their Command*." This interpretation seems also to be confirmed by Article 28 of the C.F.A. which provides that the responsibility for the execution of the agreement rests with the parties.

(2) "Acts against a party" must be construed as meaning acts which would cause prejudice to a party within the context of the C.F.A.

GILLES SICOTTE

675. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

DESPATCH Y-249 Ottawa, December 10, 1956

SECRET

Reference: Your Despatch No. 489 of November 7.

CANADIAN POLICY ON THE COMMISSION

We were very interested to have your broad assessment of the Commission's activities, particularly with reference to the record of misdemeanours which have been chalked up against the two parties in Vietnam. It is unnecessary for us to say that on our part too the iniquity of the way in which the balance of right and wrong in the Interim Reports generally has been tipped in favour of the Vietminh has deeply irritated our sense of justice. The reasons for this rather unfair slant arise generally from conditions over which we have little or no control, e.g. the very different nature of the two régimes in Vietnam, the hitherto unsympathetic attitude which the Indians have shown towards the South, the inadequacies of certain articles of the Cease-Fire Agreement in the situation which now obtains, and finally some of the procedures which have developed within the Commission. We well understand that sometimes the psychological atmosphere in which you are obliged to work becomes oppressive; and we realize that to try to shape the record to meet our sense of justice requires a Herculean task. I should like to assure you that the efforts which you and all your colleagues make to cope with the relentless pressure of Communist tactics is greatly appreciated here.

2. The presence of the Commission in Vietnam serves the interests of both the Vietminh and the Republic of Vietnam to a greater or lesser degree. Vietnam remains one of the more sensitive areas on the periphery of the Communist and non-Communist worlds and the Vietminh being a rather aggressive movement, it is useful to have the Commission in Vietnam to keep a keen international eye on what the Communists are doing. We noted that President Diem alluded to this fact during his chat with the Honourable Paul Martin. The advantages which the Vietminh obtain from the presence of the Commission appear to be largely propaganda and we commend your efforts to keep such advantages within reasonable bounds. In these circumstances, our primary goal, therefore, remains to keep the Commission in being. (As you know, we would welcome a reduction in the Commission's activities. However, I do not propose to speculate in this despatch how this objective might be achieved.)

3. Your analysis of the various problems which arise out of the specific activities of the Commission points up the ways and means by which we can endeavour to have the record more accurately reflect the extent of compliance of the two parties with the letter and to some extent the spirit of the Cease Fire settlement. We found Appendix "A" to your despatch a most constructive and useful approach to this problem. The analysis of how the Commission can better exercise its specific responsibilities of supervision and control and the careful thought to the consequent way in which the record can be brought more to reflect the facts of the situation seem to us to chart the course which you should take in

current Commission activities and in preparing for negotiations on the Seventh Interim Report. As you suggest, appropriate action by and large must begin on the team and the committee level and all concerned should miss no opportunity to "give events little nudges in the right direction". Indeed, this would seem to be the principle upon which your colleagues, the Poles, have operated.

4. You have raised the question of how far you should go in collaborating with the South Vietnamese, particularly in devising tactics and in preparing complaints for submission to the Commission. We think it most important that you maintain the position that the Canadian Delegation will not be blind advocates of the South in the Commission. We would wish you also to continue the practice of offering friendly advice to the South Vietnamese so that they will understand better how to meet the requirements of the Commission. There is no objection to your discussing with the South what complaints should be submitted to the Commission and how they should be prepared in order to obtain the most satisfactory measure of supervision and control. We hesitate to take any initiative on the matter of complaints with the State Department, not because the objective which you have in mind is not desirable — we think it is — but because we think this objective more likely would be obtained through a pragmatic approach on the spot. We have in mind the opportunities which have been presented with respect to Article 14 (c) as a result of the arrival of the nineteen refugees in Saigon. If you believe that more adequate and specific complaints could be prepared by the South you might discuss the possibilities with the U.S. and U.K. officials with whom you normally discuss Commission business. We agree that in view of the inexperience of South Vietnamese officials, it would be undesirable for you to become more involved in dealing directly with the South Vietnamese and that your representations on specific matters for the Commission agenda should be confined largely to the Chief Liaison Officer.

5. In paragraph 11 of your despatch under reference you have referred to the way in which the activities of the Commission and the performance of the two parties have developed over the last two months. We appreciate that there is a good deal in the record over this period which reflects upon the South. Nevertheless it seems to us that recent developments have not been one-sided and that there is a not inconsiderable amount of material which can be used to obtain a more satisfactory Interim Report. Particularly we have in mind coastal reconnaissance in the North, the Xa Doai Seminary, the apparent suspension in team activities at Phuc Hoa, Article 14 (c) in relation to the recent uprisings, and the PAVN non-representation on the Joint Commission. Another matter which has occurred to us but on which we do not have enough information to judge the possibilities of raising doubts about the Vietminh is the activities of the Langson and Haiphong teams. In the light of the way in which the Poles have made a nuisance of the Saigon fixed team, we are wondering whether a similar degree of supervision and control of trains at Langson and ships at Paighong would yield similar returns.

6. Periodic surveys of the Commission's activities of the type which you provided are indeed very useful exercises as they serve to focus attention on some of the more general aspects of our participation and tactics in the Commission. We find such despatches of considerable assistance in the process of constantly reviewing our role in Vietnam. Your despatch also has assisted us in considering what lines of action we should follow during the coming period.

J.B.C. WATKINS
for Secretary of State
for External Affairs

676. DEA/50052-A-6-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au sous-secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Under-Secretary of State for External Affairs

LETTER NO. 535 Hanoi, December 29, 1956

SECRET

Reference: Your Letter Y-238 of December 3, 1956.

REPORT OF THE LEGAL COMMITTEE ON SUBVERSION, SABOTAGE AND ESPIONAGE: ITS RELATIONSHIP TO SOUTH VIETNAM'S ATTITUDE TOWARDS ARTICLE 14(C)

Thank you for the memorandum attached to your letter. It will be helpful, especially if the Indians in the Commission are given any latitude by their Government. There are three points in the memorandum which we do not propose to use, as they do not seem essential to the argument and all three might cause us difficulty in the future, particularly when the Commission gets around to formulating its interpretation of Articles 16 and 17.

2. The first of these points is contained in the footnote to paragraph 4, i.e. footnote (1), which expands the meaning of the term "Commander of the Forces". It will probably be part of the strategy in our attack on Protocol 23, which is also signed for the "Commander of the Forces", to attempt to cast doubt on the binding nature of the Protocol to the extent that it modifies the Agreement in that the signatories lacked the full powers necessary for the conclusion of an amendment to the Agreement. For our present purpose, it does not seem necessary to stress that the Agreement has civil effects notwithstanding its signature by military officers.

3. The second point we would not wish to use is also contained in footnote (1); we do not want to emphasize that it was not the intention of the Agreement to divide Vietnam into two States, as, superficially at any rate, the present division of the country appears to be the fault of the South in not agreeing to Vietnam-wide elections. Then, too, it might be argued that acts of subversion, sabotage and espionage were only state offences; if North and South Vietnam were not, for the purposes of the Agreement, to be regarded as separate states, then it might be asserted that neither could be charged with such offences.

4. The third point is that contained in paragraph 8 of the memorandum. Here, as well, we have in mind the problems which will face us regarding Articles 16 and 17. Our major argument in pressing for an interpretation of Articles 16 and 17 which would permit the South to import quantities of armaments and munitions equalling those taken out by the French is that as the Agreement is an Armistice Agreement, it looks to the maintenance of the *status quo ante*. We do not want in our approach to subversion, sabotage and espionage to lend support to the idea that the Cease Fire Agreement in Vietnam was more than a normal Armistice Agreement, since if it were a sort of preliminary Peace Treaty, the *status quo ante* argument might largely go by the board.

5. In your letter you enquire what the situation now is in the Commission as regards the subversion, sabotage and espionage report in view of the refusal of the South to entertain requests for further investigations under Article 14(c). We agree with you that the two

issues should not be linked, although there seems little question but that the Indians will form such a link in their own minds. The Indian Legal Adviser informed our representative on the Legal Committee recently that he had received advice from his Government regarding the report but that there were points on which he was seeking clarification. This was confirmed by General Brar, the Indian Acting Commissioner, in a conversation with me on Thursday when he said that his Delegation had received conflicting advice from the Law Ministry and their Ministry of External Affairs and he had written to the former Chairman, Ambassador Parthasarathi, asking the latter to take the matter up with Desai and to resolve this conflict of opinion.

6. You impression that some of the complaints from the South may be quite separate matters from 14(c) complaints is quite correct. Many of the South's charges arise out of different sets of facts from those alleged by the North as the basis for their charges of violation of Article 14(c). That is, most of the South's charges stand by themselves and investigation into them would be, usually, quite independent of 14(c) investigations. The South have, of course, often stated that subversion, sabotage and espionage were the reasons for arrests, etc. about which the PAVN had submitted complaints, but the South does not ask for Commission action on all of these, but merely submits its counter-charges as an adequate defence to the particular 14(c) allegations.

7. I think we should keep in mind that the South does not officially take the position that they are opposed to 14(c) investigations *per se*; they are only against the PAVN using the Article for propaganda purposes. What the South complains of with regard to 14(c) is that the Commission dignifies the flimsiest PAVN allegations under 14(c) by taking note of them without requiring a real *prima facie* case to be made before calling for the South's comments.

8. Whether it will be feasible for us to press for actual investigations of Southern allegations of acts of subversion, sabotage and espionage will depend, in the first place, on whether we have been able to persuade the Indians to adopt a Report which will in fact establish a basis for such investigations. On the other hand, the South may not bestir itself any more vigorously to lodge complaints *after* the adoption of the Report, whatever its nature, than they have hitherto; it has always been open to the South to inflict upon the Commission a deluge of such complaints which would match in quantity the hundreds of complaints of violation of 14(c) put in by the North. Up to the present, the South has not submitted a great number of such complaints.

B.M. WILLIAMS

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677. DEA/50052-A-11-40

Note de la Direction de l'Extrême-Orient
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Far Eastern Division
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], January 8, 1957

ARMS CONTROL IN VIETNAM: PHUC HOA

You will recall that on January 4 you approved a telegram (No. Y-7†) to our Delegation in Vietnam concerning the situation with respect to arms control at Phuc Hoa which instructed our Commissioner to endeavour to move the Commission towards a frank recognition of the inefficacy of arms control. This instruction was sent pursuant to a decision of the Minister last September (Telegram No. YY-196 of September 27) that if there was any more trouble at Phuc Hoa we should give serious consideration to exposing the facts of so-called arms control in the frankest terms. We have now learned that our Delegation already had agreed to the Indian proposals concerning the return of yet another team to Phuc Hoa when our Telegram No. Y-7 of January 4 (copy attached) was sent from here. The result is that while the views of the Canadian Delegation concerning arms control in the North have to some extent been set out in the record of the Commission, unfortunately the opportunity provided by these further difficulties at Phuc Hoa has not been used to move the Commission further towards obtaining an acknowledgement of the ineffectiveness of the arms control measures on the Vietnamese-Chinese border. The attached telegram which is submitted for your approval is designed to explore with our Delegation what other steps might now be taken in order to comply with our objective of dispelling the illusion that arms control is effective. In this connection it has been our view for some time that a frank acknowledgement of the situation with respect to arms control might be a useful first step in obtaining some rationalization of the Commission's activities.

2. On the matter of our Commissioner committing the Canadian Delegation before our instructions were received, it was his assessment that we would not get the Indians to agree to a special report on the situation at Phuc Hoa; and he feared that if we were more difficult the Indian Delegation, which at the present time is temporarily headed by its alternate delegate, in order to counteract us might not continue to take even the moderate position which it had adopted. It would appear that, owing to the length of time which telegrams are currently taking between Ottawa and Hanoi, our Commissioner felt obliged to act without waiting for the instructions which he had requested. This incident points up of course the continuing difficulty to provide any day to day guidance to our delegation in Vietnam.

3. We attach considerable importance to the treatment of the team at Phuc Hoa. Not only are we concerned to ensure that the next Interim Report will bring out the story of DRVN non-compliance and begin to record the inadequacy of arms control in the north, but we want to begin to provide grounds for insisting on a reduction of Commission activities in Vietnam on terms which will reflect adversely on the DRVN rather than on the Diem government.

R.L. ROGERS

[PIÈCE JOINTE/ENCLOSURE]

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM Y-17 Ottawa, January 8, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Your Telegram No. 4 of January 4† and our Telegram Y-7 of January 4.
Repeat Saigon, New Delhi, Washington, London, Vientiane, Paris, Phnom Penh, Canberra, Wellington, Candel New York (Information).

PHUC HOA

We are sorry that Brar put this item on the agenda before you had received our comments contained in Telegram No. Y-7 on the more recent developments. We take it that the situation now is that the Vietminh have been cited for non-cooperation pursuant to Article 43 and that authority of the PAVN has been sought to send another team to Phuc Hoa.

2. As you have pointed out, this business of a Commission team popping in and out of Phuc Hoa has rendered arms control in the North more farcical than ever. As indicated in the Minister's telegram No. YY-196 of September 27, our primary concern is not so much to show the sins of omission of the Vietminh with respect to arms control but rather to move the Commission towards a frank and forthright acknowledgement of the weakness in the system of arms control which the Commission has been able to establish within the framework of the Cease Fire Agreement. Even though the recording of a violation of Article 43 in this case may be considered a step forward, it does not meet our fundamental point unless the Indian Delegation is prepared to explain the full implications of this violation in the Seventh Interim Report.

3. In our view a full explanation about this violation of Article 43 by the Vietminh should include:

(a) the continued refusal of the PAVN to give the assurances requested by the Commission that the team will be permitted to function effectively in the conditions required by the Commission;

(b) the failure of the Vietminh to comply with Commission recommendations which include the requests for uninterrupted control and permanent logistic arrangements;

(c) an explicit statement that the resulting inadequacy in control means that the Vietminh could be violating Articles 16 and 17 without the Commission being able to discover the facts;

(d) this frustration of the Commission is especially serious because it affects a special responsibility of the Commission under Article 36(d).

It is also our view that the time has come when the record about arms control as such should be completed and the facts brought into the open, i.e.

(a) that the system of control set out in the CFA is inadequate,

(b) that the Commission has made a great effort in studying how it can best fulfill its responsibilities in these circumstances and that it is obviously possible for the provisions concerning arms control to be violated in either zone and

(c) that in the light of the behaviour of the Vietminh there would seem to be grounds for suspicions that violations may have taken place in the North without the Commission becoming aware of the facts.

4. In the light of your telegram No. 4 of January 4, we are re-examining here how we might best try to obtain some commitment from the Indian Delegation about incorporating in the Seventh Interim Report a statement along the lines of paragraph 3 above. We would appreciate receiving from you as full a statement as you are able to provide about the Indian position. We think that it would still be useful for you to obtain from Brar an exposition of the views of the Indian Delegation on the way in which the Commission has been frustrated by the Vietminh in fulfilling its special responsibilities under Article 36(d). Does the Indian Delegation make any qualitative assessment and agree that consistent obstruction of the Commission with respect to Article 36(d) should be taken as an extremely serious matter? In attempting to draw Brar out, you might ask him how the Indian Delegation proposes to explain to the Co-Chairmen in the next interim report why the Commission

continues to return to Phuc Hoa after being thrown out three times and when it still has no assurances from the PAVN. On the occasion of the last return to Phuc Hoa we declared that in our view neither the Commission's dignity nor its responsibilities were being safeguarded. We are now concerned lest criticism of the Commission should be made when the Seventh Interim Report is published. You may indicate our views to Brar and, if it seems useful, state that we will expect a "thorough airing" along these lines in the Seventh Interim Report.

5. It has occurred to us that one way to commit the Indian Delegation might be in a communication from the Commission to the Vietminh. What we have in mind is that some of the implications of the Vietminh obstruction over Phuc Hoa should be spelled out in detail in a Commission letter to the PAVN High Command. We are wondering whether the communication to the Vietminh which is referred to in paragraph 2 of your Telegram No. 4, might not include a statement that the Commission has decided that the behaviour of the Vietminh warrants the finding of a violation of Article 43. At the same time, the Commission would spell out some of the implications of this violation which are outlined above. It has also occurred to us that if the Vietminh concurrence for another team has not yet been received then the Commission might send a hastener to the Vietminh stating that this continued interruption in control creates a very serious substantive problem and that the Commission, in view of this continued enforced gap in the control arrangements, will be obliged to report in due course to the Co-Chairmen that it has not been possible to establish effective arms control in the North and that it is obviously a matter of serious concern whether violations of Articles 16 and 17 have taken place in the past and continue to take place.

6. Please reply urgently.

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678. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM Y-24 Ottawa, January 16, 1957

CONFIDENTIAL. IMMEDIATE.
Reference: Your Tel. 16 of Jan. 12.†
Repeat Washington, London, Paris, Candel New York (Information).
By bag Canberra, Wellington and Phnom Penh.

PHUC HOA

We have examined our telegram No. Y17 of January 8, which crossed your telegram in transmission, in the light of the suggestions in your telegram. We continue to think it useful for you to endeavour to move the Indian Delegation, and the Commission, if possible, towards some frank statement about arms control insofar as it is affected by the situation at Phuc Hoa. We should therefore be grateful provided a team is not yet in situ at Phuc Hoa if you would take action as suggested in our telegram Y17.

2. With regard to paragraph 2 of your telegram it appears to us that if the situation arose in which the Vietminh should have already indicated, before you could have acted as sug-

gested in our telegram Y17, that a team may return but for only one month, you might enquire of Brar whether he considers that the Commission should return on that basis. It would be useful to have a full statement of his views. However we do not think that it would be useful otherwise to delay providing a member for the team. In returning to Phuc Hoa the Commission should indicate to the PAVN that it is doing so because of the importance of having a team at Phuc Hoa and in the hope that the PAVN will review their position and will offer more cooperation than has been forthcoming in the past.

3. You raise in paragraph 3 the question of a full-scale debate on arms control as such. We have always held the view that it should be possible to present the facts of limited effectiveness of arms control quite impartially without reflection on either party or on the Commission. Please refer to our telegram YY-96 of July 18 which is in effect the basic document on this problem. In our subsequent instructions concerning arms control at Phuc Hoa we have consistently considered the necessity of avoiding any reflection on the Commission. The situation as we see it is what the Commission's record at Phuc Hoa has been without blemish but that if the Commission continues to go back after being thrown out for the third time without explicitly stating the implications of these breaks in control, then it will lay itself open to criticism. The situation at Phuc Hoa, it seems to us, creates an ideal situation for stating that arms control in the North cannot be considered as having been effective.

4. We agree that any acknowledgement of the facts of arms control at Phuc Hoa by the Commission as described in the preceding paragraph may tend to provoke a general debate on arms control as such. We also agree that some of the modalities which were agreed upon in the early days of the Commission have militated against effective control. However we have never considered that an exposition by the Commission of the inadequacy of arms control would necessarily have to go into such detail. The CFA created a general framework in which it has been very difficult for the Commission to operate. We do not envisage therefore that it should be necessary to make any suggestion that the Commission has been lax in its control procedures and duties in order to make the important points which we have outlined in our telegram Y17.

[J.] LÉGER

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679. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance
pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM INCHIN-14 Saigon, January 26, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Your Tels Y17 Jan 12 and Y24 Jan 17.

Repeat London, Washington and Paris (Information).

By bag Delhi, Hanoi, Vientiane, Phnom Penh from Saigon and Canberra, Wellington from London.

PHUC HOA

We have had an opportunity to discuss both with General Brar repeat Brar and with two members of the Indian Delegation who are normally influential in determining Indian policy on important matters, the questions raised in your telegrams under reference. Quite frankly the conversation with Brar was not repeat not too useful. It was apparent that Brar really has not repeat not considered the long term implications of the Commission's ability to maintain a team on continuous duty at Phuc Hoa. Moreover, he does not repeat not seem to be too anxious to have the Commission state quite clearly what have been the weaknesses in the system of some control which the Commission has been able to establish within the framework of the Cease-Fire Agreement. His two political officers were somewhat more forthright on this particular aspect of the matter. The Commission should, in their view, when commenting on control at Phuc Hoa under Articles 16 and 17 in the interim report, simply state the facts. The conclusions to be drawn from the implications in a given situation should be left to the reader.

2. In spite of the intransigent attitude of the Indian Delegation I do not repeat not think that we will encounter too much difficulty in getting them to go along with us in the next interim report with a statement which would clearly point out:

(a) the continued refusal of the PAVN to give the assurances requested by the Commission that the team would be permitted to function effectively;

(b) the failure of the PAVN to comply with the Commission's recommendations; and

(c) the special responsibilities of the Commission in terms of Article 36;

(d) I am not repeat not hopeful that the Indians could be induced to support an explicit statement that the resulting inadequacy in control at Phuc Hoa means that the PAVN could be violating Articles 16 and 17 without the Commission being able to discover the facts.

3. Whether we like it or not repeat not, the Indians seem unwilling to adopt any posture which might be construed as criticism of the past efforts of the Commission. Even to suggest that the system of control provided by the Cease-Fire Agreement is inadequate upsets them. Their immediate reply is generally along the lines that if either of the parties were dissatisfied they should have approached the Commission or the Commission itself should have raised the matter in the early days of the Commission.

4. It is difficult to get the Indians unduly upset about the Commission's difficulties with the PAVN over Phuc Hoa when we have had difficulties in the South in terms of Article 36(d) on the question of reconnaissance and control of airports and ports. Once again whether we like it or not repeat not the Indians immediately turn every query that we make about the inadequacies of the control system in the context of Phuc Hoa to problems with which the Commission faces in the South which are more numerous.

5. The foregoing is probably not repeat not as constructive as you had hoped. We are satisfied that we are keeping up the pressure on the Indians about Phuc Hoa at just about the right level. Unfortunately it does not repeat not produce quite result that we know you would like.

6. It is still not repeat not clear to me whether you would like us to initiate a debate in the Commission on the specific question of the inadequacies of the arms control system. If we do and if we keep it strictly impartial and within the confines of no repeat no adverse reflections on the Commission, I am not repeat not confident that the conclusions which will be drawn will be that in the North the arms control has been ineffective. In fact it is possible that on the basis of impartial study and on the prime facie evidence available to

the Commission the case of the South will appear in a very bad light compared to that of the North.

[B.M.] WILLIAMS

680.

DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM 8

Saigon, January 26, 1957

CONFIDENTIAL. IMPORTANT.

Reference: Your Y25 of Jan 23.†

Repeat Delhi, London, Washington, Paris from Ottawa (Information).

By bag Hanoi, Canberra, Wellington, Vientiane from Saigon.

ARTICLE 14(C)

We asked Col Nam of the SVLM today if any decision had yet been reached on the attitude which the South would adopt to the communication dated January 7 from the Commission. Nam replied the question of procedure for entertaining 14(c) allegations could not repeat not be separated from that of the principle itself of whether Article 14(c) was still valid and pointed out that the Commission in a letter dated January 17 had informed the South that it could not repeat not accept the position adopted by the South outlined in the South's letters of November 17 and December 19, 1956. (Hanoi letter 14 of January 2†).

2. We got the impression from Nam that the South will not repeat not, for the time being anyway, formally denounce 14(c) but will "laisser traîner l'affaire" and probably not repeat not reply to the two communications from the Commission. In the meanwhile we do not repeat not see the possibility of any improvement in cooperation of the South on 14(c) investigations or inquiries. Nam reiterated several times that the position of principle by his government had been made clear in the letters of November 17 and December 19 and that this position of principle superseded the question of procedure the subject of the memorandum from the French Liaison Mission dated January 4, 1956.

3. We told Nam that the Indians and the Poles would become increasingly difficult over the lack of cooperation from the South on 14(c) and that some increased cooperation or indication of goodwill would be needed to fend off the Commission bringing the issue to a head.

[B.M.] WILLIAMS

681. DEA/50052-A-6-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au sous-secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Under-Secretary of State for External Affairs

LETTER NO. 32 Saigon, February 7, 1957

SECRET

Reference: My telegram 32 of February 7, 1957.†

REPORT OF THE LEGAL COMMITTEE ON SUBVERSION, SABOTAGE AND ESPIONAGE

When the Report came before the Commission for adoption on November 2, 1956, the Chairman requested a four weeks postponement in order to permit him to consult the Law Officers of the Government of India. This week the Indians reopened the discussions which they had had with us before the November 2 Commission meeting in an endeavour to persuade us to agree to the adoption of a report differing essentially from the original, to which their own Legal Adviser and ours had agreed. We informed you in some detail of the previous discussions in our letter No. 492, dated November 7, 1956.†

2. Our latest conversations have disclosed that the net result of the consultations which it has taken the Indian Delegation three months to conclude with their home authorities is the change of one word in the so-called "third redraft" which they put up to us before the November 2 meeting (Annexure 6(a) letter 492), and which we found unacceptable. There is now no question, they say, of their acceptance in the Commission of anything approaching their own Legal Adviser's original report. I enclose a copy of the draft to which they say they are now fully committed. The only change they have made in their third redraft of October 31, 1956, is to replace the words "if a link is conclusively established", with the words "if a link is established with reasonable certainty".

3. In your telegram No. YY 335 of November 30, 1956†, you said you considered our third redraft an adequate basis for Commission activities with respect to subversion. In this redraft we proposed four modifications of the Indian third redraft. Three of these the Indians have made no attempt to take into account and the fourth receives the barest recognition in the one modification noted above, constituting the only difference between their latest draft and the one they proposed on October 31.

4. In this week's discussions we have used the argumentation you furnished us with your letter Y 238 of December 3, 1956, with the reservations which we mentioned in our letter No. 6 of December 29.† We also went over again some of the questions we had asked concerning the third Indian redraft, questions which remain to be asked with regard to this final draft of February 6, 1957. In view of their inflexible decision not to discuss further the original report there was no point in raising a second time the basic questions posed by their repudiation of it. As reported in my telegram under reference, they have, in fact, volunteered an explanation of why they refuse to consider the original report when they tell us they really do not think the Cease-Fire Agreement covers subversion.

5. When we asked why, in paragraph 2 of the latest Indian draft, the word "and" was substituted for the word "to" between the words "zone" and "organize" in place of our

proposal of the words "in order to", we received no clear reply. But the likely explanation seems to be that the substitution of the word "and" in place of the word "to" is designed to remove from the ambit of the prohibited activity the mere despatch of Vietminh agents to the South; under the paragraph as drafted at present it appears that it would not be sufficient for the South merely to catch and identify a Vietminh agent south of the border but it would also be necessary to prove some overt act of violence in the South on the part of the agent. The likelihood of this explanation is supported by their reasons for using the word "abet" in place of the word "organize" and their rejection of the words "by encouraging", in paragraph 3. They have told us it is their intention to restrict operation of this paragraph to the actual commission of a violent act by a Vietminh partisan already in the South and that act the very one he had been instructed to perform by the Party.

6. Our enquiries regarding our proposal to clarify paragraph 5 (which provides for the procedure the Commission would follow in entertaining a complaint of subversion, sabotage or espionage and taking action on it) were met with the response that the additional words we had proposed were redundant. We had suggested that the word "reasonable" should be inserted before the word "evidence" in the first sentence and that the words "in accordance with the usual Commission practices" should be inserted after the words "after investigation of the complaint" in the second sentence. The object of these proposals was to place Commission procedures with regard to S.S. & E. complaints on all fours with the procedure the Commission follows in taking action on 14(c) complaints lodged by the North. The objection we took to the word "conclusively" has been met by the substitution of the words "with reasonable certainty" but little consideration has been shown our desire to point up the distinction between the amount of evidence required for the Commission to entertain a subversion complaint and the degree of proof required eventually for the Commission to find a violation of the Cease Fire Agreement.

7. The effect of this Indian draft which they have proposed in place of the original report has been to remove subversion and espionage from the range of prohibited activity and to narrow the application of the Agreement to the prohibiting of sabotage. This is in the face of the explicit prohibitions of Articles 24 and 10.

8. In my telegram under reference I said that in view of the Indians' determination to bring in a very narrow report we ourselves should now consider maintaining support of the original report. If we go along with the Indians in scuttling the original, we shall have again followed a course of action with which we have become all too familiar; first making substantial concessions in order to move towards ground on which the Indians stand beckoning to us, only to have them move smartly away to a still more distant position once we have arrived at what was former common ground.

9. I think a review of the treatment accorded by the Commission to "complaints concerning subversion, sabotage and espionage" in the Seventh Interim Report might make interesting reading, interesting enough possibly to form part of a minority Canadian report if necessary. I do not think such a shaping of the record would benefit by our acceptance of what finally emerged from the Commission's ratiocinations over an 18 month period concerning the basis on which it might take cognizance of such complaints.

10. So long as there was a chance that the Indians, while rejecting their own original report, might accept a set of criteria for weighing Southern complaints of Vietminh subversion, sabotage and espionage, which would give some chance of even limited success, we were in duty bound to make every attempt to reach agreement with the Indians. If we had got a good report adopted by the Commission, there might have been some possibility that complaints by the South of S.S. & E., which came squarely within the report's provisions

might have been entertained by the Commission and the resulting action might have been the registering of violations of the Agreement by the North. Or the Commission's failure to deal with complaints which satisfied its own criteria as laid down in the report would have pointed up bias in favour of the North. With a report such as the Indians now propose, the chances of a complaint from the South satisfying either the substantive or procedural criteria would appear to be reduced almost to zero. If we go along with the Indians in accepting their proposed report we shall have pretty well absolved the Commission from any charge of failing to give consideration to the South's complaints concerning subversion, sabotage and espionage and it seems fairly certain that consideration of any complaint would merely result in its rejection.

11. While we do not know the Polish attitude towards the new Indian draft report, it seems probable that they will reject it, particularly if they were unaware that we also intended not to accept it. If each one of the Delegations maintained a separate position and each put forward an independent view of the Agreement's attitude towards subversion, sabotage and espionage (we would rest simply on the original Legal Committee Report) such a situation of deadlock would compel attention in the Seventh Interim Report. On the other hand, even if the Poles are particularly astute and support the latest Indian draft, our rejection of it and continuance to stand by the original report would leave us in a fairly strong position for any minority report on the subversion issue which we might find it necessary to come up with.

12. As this whole question of the Commission's cognizance of subversion, sabotage and espionage has developed I have come to wonder whether it would be better to have no report adopted at all — not even the original. It is just possible that the South would be reluctant to have the Commission investigate their complaints of S.S. & E. if it meant the employment of mobile teams which would, by the very nature of the complaints, require the teams to pry into probably disaffected, or at least disturbed areas in the South. The South might be even more difficult if these were double-barrelled investigations linked with PAVN complaints under Article 14(c). It is extremely improbable that the Commission would move to a decision concerning any subversion complaint on the basis of documentary evidence alone; the North could be counted on to match any documentation the South could ever furnish. It would certainly be an anomaly if, as we suspect is quite possible, the South were to decline to give concurrence for the despatch of a mobile team to investigate a complaint which they themselves had made.

13. In view of the possible attitude of the South upon the one hand and of the Commission on the other, I doubt that investigation into Vietminh subversion in the South would be likely to produce any useful result. A team carrying out an investigation would probably get bogged down somehow. There would most likely be ample opportunity for the Pole and the Indian to twist the evidence to such an extent that it would, as they presented it, disprove any Southern allegation, and might even prove some 14(c) violation on the part of the South. I come back, therefore, to my doubtfulness of the value of having any basis at all for the Commission to go through the motions of carrying out subversion investigations. The present situation might be regarded as an opportunity to keep the whole question of subversion as a major argument in a shaping of the record when the final report on the Commission activities is to be made, viz: although the Commission has been zealous in prosecuting enquiries into complaints under Article 14(c) it has not shown the same readiness to consider complaints of subversion, sabotage and espionage.

14. In deciding whether to accept or reject the toothless report which the Indians now propose, the determining factor would appear to be whether we are ready to annoy the Indians. We may be sure they will be very, very cross with us if we insist on drawing

attention to their rejection of their own original report. On the other hand, if we maintain our support of the original report we might succeed in a rather neat piece of work which might be of advantage in shaping the record. By holding fast to the original report, which we have good grounds to do, and thereby bringing about deadlock in the Commission on the subversion issue, the result would be that the Commission would continue to do nothing about a whole category of Southern complaints of violations of the Cease Fire Agreement. There is a possibility that the Poles might, of course, find previously-undiscovered virtues in the new Indian draft, once we had announced our rejection of it, although perhaps this might be that classic case when Poldel and Candel were united, though for different reasons, against an Indian proposal.

15. So that we may bear as little of the responsibility as possible for the Commission's delay in coming to a decision on the subversion issue, and in view of your opinion that our third redraft of October 31, 1956, provided an adequate basis for the Commission to undertake consideration of complaints of subversion, sabotage and espionage, I should be grateful if you would cable me your instructions as soon as possible whether we should now accept the new Indian draft or stand by the original report or our third redraft.

16. Although we have tended in conversations with the South Vietnamese and indeed the British here to argue that the South should not slam the door on 14(c) until we had had a chance to do something about subversion, the time may now have come to let the South Vietnamese force the pace on 14(c) and the Commission to remain sterile on S.S. & E.

B.M. WILLIAMS

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682. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures au commissaire de la Commission internationale de surveillance pour le Vietnam

Secretary of State for External Affairs to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM Y-47 Ottawa, February 12, 1957

CONFIDENTIAL. IMPORTANT.
Reference: Your tel 26 of Feb 5.†
Repeat New Delhi, Hanoi (Information. Routine).
By bag Paris, Canberra, Wellington, Mr. Holmes New York.

VIETNAM: REDUCTION OF COMMISSION ACTIVITIES

Your telegram was welcome here as a further indication of Indian interest in reduction of Commission activities which is being stimulated by current financial talks in New Delhi between French and Indians. We would be grateful if you would let us know the name of the member of the Indian Delegation who spoke to you and whether you think that his informal approach had the blessing of the Indian Chairman and is designed to obtain our reactions on the subject.

2. We are constantly reviewing possible ways of reducing Commission activities and responsibilities and have discussed subject with Carter. We would, of course, welcome any approaches from or suggestions by Indians on ways and means of achieving reductions. As the Indians are apparently now thinking along these lines the chances of success are

improved. We do not think, however, that the task will be easy and we must be careful not to trip over the stumbling bloc which you have pointed out. As you know, we have continuously adhered to the line that the Commission has no responsibility for elections and we would not repeat not wish to depart from this stand. You should resist firmly therefore any attempt by your colleagues to have the Commission make any recommendations or pronouncements concerning future general elections and reunification of the country. These points, upon which the PAVN may demand assurances as a price in agreeing to reductions, are the responsibility of the parties to the Cease-Fire Agreement and of the Geneva Conference Powers who support the Geneva settlement.

3. We agree with your assessment of the most important jobs left to the Commission and, provided the stumbling block can be avoided, we think it is time to start studying means of implementing a reduction procedure. The memo attached to your letter of June 14, 1956, provides us with a basic plan for reduction. We would suggest that, as a first step in the plan, you might commence an examination of the records of the Commission to see which fixed teams have filed nil reports during the last few months. If, as we suspect, some of the team sites such as Moung Sen and Tan Chau have been conducting no regular fixed team business for some time, we think a case could be made for their elimination. We realize that some of the fixed teams are used for 14(c) investigations but this should not be a reason per se for retaining these fixed teams. Mobile teams from Headquarters could, if necessary, take over investigations of this kind. In order to get the Pole's agreement on reduction of team sites, you will probably have to plan for equal reductions on both sides of the demarcation line. This should not, however, pose too great a problem as we imagine that there are teams in both the North and South which have little or nothing to do.

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683. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance
pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM 63 Saigon, February 20, 1957

CONFIDENTIAL. IMMEDIATE.
Repeat Delhi No. 25.
By bag Hanoi from Saigon.

14(C) — INDIAN APPROACH TO US

Prasad, the Political Adviser dealing with freedoms matters in the Indian Delegation came to see us this morning and suggested the following plan to save the South from numerous findings of non-cooperation under Article 25. He is particularly worried about a list of cases to which the South has offered no repeat no replies whatsoever and which will be on the agenda within the next two weeks. The plan he proposes is his own and has not repeat not got the blessings of the Indian Delegation. Before putting it to his superiors, he would like to get through us, the comments of the South Vietnamese. His plan is as follows:

(a) We cannot repeat cannot defend the South on the merits of the pending cases. In at least 30 cases and probably many more it will be practically impossible not repeat not to reach findings of non-cooperation under Article 25 against the South.

(b) The only way to avoid this is to get from the South a letter reaffirming the principles mentioned in their letters of November 17 and December 15 and asserting that because of their interpretation of Article 14(c) they cannot repeat cannot consider any past, present or future correspondence on this article nor agree to any request by the Commission to despatch mobile teams to investigate 14(c) allegations. We could complete Prasad's suggested letter by having incorporated in it the suggestions mentioned in paragraph 2 of your telegram Y53 February 12.†

(c) This letter should be sent to the Commission within the next 15 days so that it would be received before routine 14(c) cases come up on the agenda.

(d) This letter would then be considered by the Commission prior to the routine cases. The Commission would not repeat not ask the South to revise its position but would say that this is a serious matter and that it views with concern the fact that a party refuses to accept the Commission's interpretation of an article of the Cease-Fire Agreement. A decision would then be taken to refer the matter to the Co-Chairmen under Article 43.

(e) Since the Seventh Interim Report is to be submitted to the Co-Chairmen shortly, the Commission would not repeat not submit a special report to the Co-Chairmen on this article but would include it in its next interim report.

(f) In the Seventh Interim Report the South's refusal to accept the Commission's interpretation of Article 14(c) would be mentioned under Article 43 in the same way as the PAVN's refusal to accept the Commission interpretation of Article 35 would be.

(g) The advantage of this plan as seen by Prasad is that at the next interim report, instead of numerous findings of non-cooperation against the South being included there would be only one reference to the Co-Chairmen under Article 43.

2. Prasad feels that short of a strong letter of this kind by the South, there is nothing to save them from findings of non-cooperation except of course if they reply to the Commission's various letters. We know on the other hand that Colonel Nam will not repeat not answer any correspondence on 14(c) until the question of interpretation of Article 14(c) is settled.

3. The obvious advantage of this plan seems to us that it would water down as much as possible the 14(c) crisis and it would at the same time permit Seventh Interim Report which will be a little less unbalanced against the South.

4. If you agree with this plan we can inform the Indians that we agree to sound out the Vietnamese provided the plan becomes an official Indian Delegation one. At this point we could also approach the UK.

[ROBERT W.] MONCEL

684. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance pour le Vietnam au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam, to Secretary of State for External Affairs

TELEGRAM INCHIN-62 Saigon, February 20, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Our INCHIN 60 Feb 20.†

Repeat Delhi No. 24; Washington, Paris from Ottawa (Information).

By bag Hanoi, Vientiane, Phnom Penh from Saigon and Canberra, Wellington from London.

REDUCTION OF COMMISSION ACTIVITIES

Prasad called and gave me an outline of the way the Indian Delegation was thinking. He said that they had considered at first heading for maximum reduction but were not of the opinion that there would be considerable difficulty at this time in bringing about any reductions for which the Cease-Fire Agreement explicitly requires unanimous approach or reference to the Co-Chairmen, such is the weakness of the plan mentioned in our telegram 26 February 5.† The Indians feel that we should concentrate on those things which we can do in our own right as a Commission and which do not repeat not require unanimous approval.

2. The plan would be to effect reductions by stages along the following lines: stage one, as an economy measure, eliminate wireless communication to those teams which were not repeat overly active. This would not repeat not affect main Hanoi-Saigon links or links to demilitarized zone. This proposal would, in addition to saving money and personnel, have the effect of removing sense of urgency from day to day team operations and would allow for more leisurely consideration of their problems. Stage two, which would be one in conjunction with stage one, would be to eliminate one team officer from most of the two-man teams. During stage three, as a result of stages one and two, we would of necessity have to revise duties of teams which had lost a member and this revision would probably have most effect on mobile elements of teams. Frequency of control would have to be reduced, and this would soften the effect of the time notice restrictions imposed by the South; it would ease the land transport problem they have. Stage four — this stage is somewhat in the future, but with team activities greatly reduced the scene might be set for consideration of elimination of certain teams.

3. The three above stages could be brought about by the Commission without reference to the parties or to the Co-Chairmen. This seems to be a definite advantage, since it probably would not repeat not be very useful at this time to bring the Co-Chairmen together for consultation, or to get involved in arguments with the parties.

4. Each stage would be sponsored by the Indian Delegation after necessary consultations with Canadian and Polish Commissioners and would be put up as complete proposals and would not repeat not deal with each team individually. This to avoid any possibility that the Pole might agree with one then (argue?) on another.

5. The plan would not repeat not affect fixed teams at Saigon and Haiphong, nor would plan affect any mobile team which would be dealt with as separate issues. As long as we want to keep Phuc Hoa on the books we probably would be obliged to maintain Locninh as a balance.

6. As a further economy, Indians would suggest elimination of all special air services in South Vietnam and would make use of commercial aircraft. A certain number of seats would be permanently booked for Commission couriers and movement of officers etc. as there are no repeat no commercial airlines operating in North Vietnam special air service in effect at present would remain.

7. The above represents Indian thought on the matter and they seem convinced that they can bring it off if they have our support. They have indicated that they are prepared to take action on a majority position if necessary. This is heartening, since the last time we sounded out the Poles they were against reduction, and there has been no repeat no indication that their attitude has changed.

8. It would appear that we will not repeat not make much ground if attempting to hold out for maximum reduction. The Indian proposal appears to go a long way towards meeting our plan and, further, sets the stage for the possible realization of our plan. It leaves the Cease-Fire Agreement intact and this should deal with our concern about the North requiring some special undertaking. It allows us to keep Phuc Hoa on the books for the time being at any rate. As to the other side of the sheet, it will probably mean that (we?) will have to produce a third element for fixed team Saigon, although it may be possible to offset this with a third element in Haiphong.

9. It is difficult to know what the Poles will demand for all this and equally difficult to know how far the Indians will go along with Polish demands. However, it is quite possible that the Poles will want to rid themselves of Phuc Hoa and we may lose out on this in the end.

10. Taking all in all, it would appear that their proposal will go a long way towards meeting our aim and that the "withering away" process which this scheme would set in train might ultimately pay dividends.

11. I would appreciate your views as soon as possible.

[ROBERT W.] MONCEL

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685. DEA/50052-A-6-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM Y-59 Ottawa, February 21, 1957

SECRET. CANADIAN EYES ONLY. IMPORTANT.

Reference: Your letter 32 of Feb 7.
Repeat Washington, London, Paris, Candel New York (for Mr. Holmes) (Routine).
By bag Canberra, Wellington from London.

Your letter under reference confirms our previous inclination to favour reversion to our support of the original report (our telegram Y 46 of February 11†). You have already made substantial concessions in order to move towards ground on which Indians stood only to have them move further away once you had arrived at what was formerly common ground. To continue moving with the Indians would result in Commission completely absolving itself from charge of failing to give consideration to South's complaints concerning subversion, sabotage and espionage and this would not be an accurate or satisfactory conclusion.

2. As there appears to be no chance that Indians will accept a set of criteria for weighing Southern complaints of Vietminh subversion, sabotage and espionage, we should not consider ourselves bound to make further attempts to reach agreement with them. Instead we should, as suggested in paragraph 9 of your letter 32, seek to have a review of the treatment accorded by the Commission to such complaints included in the Seventh Interim Report; if necessary to form part of a minority Canadian report. If, as you suspect, Poles will not support new Indian report, although for different reasons than ours, the resulting deadlock should make it easier for you to attract attention to the situation in the Seventh Interim Report.

3. We are inclined to agree with you that a deadlock in the Commission resulting in no report might be the happiest outcome that could emerge right now because of:

(a) The South's present reluctance to have mobile teams sent out where they might run into 14(c) cases. It would indeed be an anomaly for them to refuse permission to allow teams to investigate complaints from them.

(b) Opportunities which might be afforded to Poles and Indians, if teams were sent out, to twist evidence to disprove Southern allegations. Team reports might even prove some 14(c) violation on part of South especially if subversion investigations were linked with PAVN complaints under Article 14(c).

(c) Improbability of Commission moving to a decision concerning such complaints on the basis of documentary evidence alone. As you indicate in your paragraph 12 North could be counted on to match any documentation South could ever furnish.

4. For reasons outlined in your paragraph 14 we are hopeful that by maintaining our support of the original report, we might succeed in shaping the record to our advantage. The Commission would continue to do nothing about a whole category of Southern complaints of violations which, if actually investigated by the Commission, might actually tend to operate against the South. This would not prevent us, however, from using the whole question of subversion, sabotage and espionage as a major argument in the shaping of the record when the final report on Commission activities is made. It would seem useful to be able to argue that, although the Commission has been zealous in prosecuting enquiries into complaints under Article 14(c), it has not shown the same readiness to consider complaints of subversion, sabotage and espionage. We would suggest therefore that you should try to have the Commission remain impotent on this question.

5. We would be grateful for your views on what action we might take should the Poles, by chance, support the Indians' attempt to have the Commission adopt the latest Indian watered-down report. Do you think it would be feasible to argue that its adoption would in fact constitute an amendment or addition to the provisions of the agreement and would therefore seem to fall under the terms of paragraph 2 of Article 41 which states that such recommendations must be adopted unanimously? Refusal by us to support the report would probably lead to a reference to the Co-Chairmen (although paragraph 2 of Article 43

provides for reports to the Co-Chairmen only when the Commission does not reach unanimity in cases provided for in Article 42) and it would seem reasonable to expect that, under present circumstances, the Co-Chairmen would not be able to reach a decision where the Commission had failed. Our desired deadlock would therefore continue.

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686. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM Y-68 Ottawa, February 25, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Your tel 63 of Feb 20.
Repeat New Delhi; Washington; Paris; London; Candel New York (for Mr. Holmes) (Information. Routine).
By bag Vientiane, Phnom Penh from Saigon and Canberra, Wellington from London.

VIETNAM: INDIAN APPROACH TO 14(C) INVESTIGATIONS

We agree that Prasad's plan would save the South from numerous findings of non-cooperation under Article 25. You should, therefore, take the first suitable opportunity to call on the appropriate Vietnamese officials to explain the plan and try to obtain their effective cooperation. We think the suggestion mentioned in paragraph 2 of our telegram Y 53† should be given to the Vietnamese privately without mentioning it to the Indians. We hope that the South Vietnamese will see the advantages in this plan and will send an appropriate and adequate letter to the Commission.

2. We are pleased at the attitude displayed by the Indians but think that Vietnamese should proceed with the type of letter suggested whether the plan becomes an official Indian Delegation one or not. You may inform your U.K. colleagues about the plan after you have had Vietnamese reaction.

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687. DEA/50052-A-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Vietnam

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Vietnam

TELEGRAM Y-67 Ottawa, February 25, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Your tel 62 of Feb 20.
Repeat New Delhi; Washington; Paris; London; Candel New York (Mr. Holmes) (Information. Routine).
By bag Vientiane, Phnom Penh from Saigon and Canberra; Wellington from London.

VIETNAM: REDUCTION OF COMMISSION ACTIVITIES

We agree that Indian proposal will go a long way to meeting our preliminary reduction aims and that the "withering away" process which their scheme would set in train should ultimately pay dividends. You may tell Indians we will cooperate in their plan to effect reductions by stages as outlined in your paragraph 2 although we would hope that stage 4 would not be too far in the future.

2. We fail to see how Indian insistence on adding a third element to fixed team in Saigon is in keeping with their wish to achieve reductions and we would hope that they would not insist on this. However, if this is the price we must pay to achieve reductions at other points we might consider it on the understanding that it is only a temporary addition and should be subject to review in a short time; say three months. We will be sending you separate views concerning the mobile team at Phuc Hoa.

3. We continue to be encouraged by Kaul's apparent wish to try to effect economies, both financial and personnel, in Commission operations and think we should cooperate fully with him towards this end. You will have seen from Delhi telegram 80 of February 21† that he apparently has the backing of the Indian External Affairs Department in his objectives. We must, however, continue to avoid commitments which might involve recommendations or pronouncements concerning future general elections and reunification of the country (paragraph 2 of our telegram Y 47 of February 12).

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688. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance
pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM INCHIN-73 Saigon, March 10, 1957

CONFIDENTIAL. IMMEDIATE.

Repeat Hanoi No. 108; Delhi No. 30; London, Washington, Paris from Ottawa (Information).
By bag Canberra, Wellington from London.

14(C) PRASAD PLAN

Since the despatch of our telegram 38 March 5† we have had 3 days of intense activity.

2. On Wednesday March 6, we received word from Cannon that the South Vietnamese letter reiterating their stand on 14(c) had been received at the Saigon office and that Menon, Indian Saigon representative, had wired this info to the Indian Delegation in Hanoi. Seens saw Prasad and as a result of his conversation it became clear that the Indians had altered their tactics and now intended to carry out their plan in two phases. Phase one would be to deal with the consolidated list of 26 outstanding 14(c) cases which was on the agenda for Friday March 8, and phase two would be to deal with the South's letter of March 6 at a later date. At this stage their reasons for doing this were not repeat not too clear.

3. We went to see Kaul on Thursday, March 7, and indicated that we had had word of the South's letter from our Saigon representative and suggested that the time had come to

broaden the issue and in view of the South's letter, to deal with 14(c) as a whole and forget for the moment the 26 individual cases. Kaul's reaction was that since the 26 cases were on the agenda as an item we would have to deal with this as such. Since no repeat no letter from the South had been officially received in Hanoi, he did not repeat not see why or how their issue would be broadened. During this conversation I made no repeat no mention of the Prasad plan; nor did Kaul, but I had the feeling that he knew that I knew that he knew about the Prasad plan. I thought it wise, however, not repeat not to implicate Prasad at this stage. I left it with Kaul that it was my intention to bring up the South Vietnamese letter at the meeting as it seemed futile to us to continue dealing with a series of individual cases when the problem was more deeply rooted, and that the time had come to examine the fundamental question of the interpretation of the article itself.

4. Later in the day there were further conversations with Prasad. Prasad made the point that the Pole could easily take the stand that as far as they knew, the Commission had not repeat not received any letter from the South, that in any case consideration of this letter was not repeat not on the agenda and that in consequence it was irrelevant to the problem of the day which was to decide what to do in these 26 cases where the South had sent no repeat no reply to the Commission's letters. At this point Prasad produced the first formula for dealing (with?) the item. It consisted in dealing with these 26 cases in one package deal, writing a letter to the South, drawing their attention to the fact that they had not repeat not replied to Commission's letters and that this was hardly co-operation and assistance under Article 25. The inconvenience with this formula, as we saw it, was that it opened the door to future (cases?) of non-cooperation under Article 25. Prasad said further that he thought he could persuade the Polish Delegation to go along with such a line.

5. The following morning, March 8, I went to see Kaul prior to the meeting to have one final talk with him and to reiterate my intention to broaden the issue and bring into the discussion the South's letter of March 6. It was during their conversation that for the first time it became evident that the revised Prasad plan was the Kaul plan. Kaul told me that the Pole had informed him that he was unable to accept the Indian suggestion and would insist on dealing with the cases under 3 headings: (a) cases which (group corrupt) Article 43; (b) cases of violations of Article 14(c) or of non-cooperation under Article 25; and (c) cases where a mobile team should be despatched. I told Kaul that the only thing these cases had in common was the fact that no repeat no replies had been received to Commission letters and that India was not repeat not prepared to accept any findings of violations. Furthermore, India was not repeat not prepared to accept the categories proposed by the Pole and that rather than doing that India would insist on dealing with each case individually. Kaul then outlined his proposal which in essence was to deal with the 26 cases by sending an innocuous letter to the South and not repeat not recording any violations, and he showed me his draft proposal. He asked me not repeat not to refer to the South Vietnamese letter at this stage. He was convinced that in addition to the danger mentioned in paragraph 4 above there was the possibility that the Pole would ask for an immediate special report to be sent to the Co-Chairmen and that this request might be hard to resist at this time. Kaul then went on to say that once we had cleared the books of this item and had put the South Vietnamese letter officially on the agenda we would then be in a position to proceed with the plan. On the above basis I agreed to go along with Kaul providing he amended his proposal slightly to ensure that there could be no repeat no question of suggesting a finding of non-cooperation under Article 25.

6. The meeting started at 11:00 o'clock and Kaul introduced his proposal with an appeal to us and to the Pole to go along with him on the basis that finding violations would serve no repeat no useful purpose, and that the Commission was here to help the parties and not

repeat not to sit in judgment. Szymanowski then started and went on for very nearly three quarters of an hour. He said that this was a very rare issue and that as each case differed from the other he was not repeat not prepared to deal with them under one heading. He then made his three heading proposals and called upon the Commission to express grave concern, find violations and despatch mobile teams. He took the line that the only common factor in the cases was non-receipt of replies to Commission letters, that in fact the South Vietnamese Government authorities had replied to their letter of November 17, and that this was not repeat not a matter of non-cooperation but rather one of disagreement on principle and that cooperation could stop short of agreement without in any way violating the Cease-Fire Agreement.

7. One hour later we were still deadlocked and Kaul made a long and impassioned plea for unanimous agreement to his proposal and suggested an adjournment until 6:00 p.m. hoping that by that time we and the Poles would be able to agree with his proposal.

8. I saw Kaul at 3:30 p.m. and he then came completely into the open and said that he was as anxious as anyone else to put Article 14(c) (to bed?) but that we had to clear these 26 cases off the agenda before taking the next step. By this time we were convinced that the ultimate plan was safe and that the only difference between the Indians and ourselves lay in tactics and thinking. Since it was clear that the Indian also wanted to (kill?) 14(c) I thought it was wise not repeat not to divide our forces and that it was better to wait for them, agreeing for the present to the despatch of an innocuous letter to the South and not repeat not raising now the broader issue of interpretation of 14(c). Further, since we can not repeat not bring this off alone, I agreed to go along with Kaul.

9. Kaul tabled his draft proposal, which read as follow: "A letter would be sent to the Vietnamese Mission pointing out separately in an appendix how long the cases have been pending with the Commission and expressing the concern of the Commission and asking the Mission to give the Commission all possible assistance and cooperation in terms of Article 25 and send the info called for in each case within three weeks. The Mission be further told that as the Commission did not repeat not receive all possible assistance and cooperation from the Mission it has not repeat not been able to decide these cases so far and that in the event of non-receipt of replies the Commission will have no repeat no other alternative but to treat this as a difficulty which it is unable to be solve on the spot and take such other action if necessary." Both Szymanowski and I agreed. Szymanowski attempted to have the Commission agree on a specific interpretation of the proposal whereby it would appear on the records of the meeting that this letter was the first step towards finding violations against the South. The Chairman resisted this attempt. The meeting came to a close by a unanimous acceptance of the above quoted proposal.

10. This then outlined the events leading up to our present position and as we see it this is where we stand:

(a) The Commission has cleared the books of the first consolidated list of complaints under Article 14(c) to which the South had not repeat not replied and have done so without recording any violations and without prejudicing our future action.

(b) The way is now clear to table formally the South's letter of March 6.

(c) The Prasad Plan has become the Kaul Plan.

11. The stage is now set for the next phase and we go into it with Indian and UK support.

[ROBERT W.] MONCEL

689. DEA/50052-A-40

Le commissaire de la Commission internationale de surveillance
pour le Vietnam
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Vietnam,
to Secretary of State for External Affairs

TELEGRAM INCHIN-93 Saigon, March 27, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Hanoi tel 38 Mar 6† and Saigon Tels INCHIN 73† and 74† Mar 10.

Repeat Delhi No. 46; Hanoi No. 127; London, Washington, Paris from Ottawa (Information).

By bag Canberra, Wellington from London.

ARTICLE 14(C)

The first two items on the agenda of the Commission meeting on Friday March 22 were the South's letters 1446 and 1448 reiterating their stand on 14(c).

2. In discussions with Kaul previous to meeting he had told me that, in view of the reference to the Co-Chairmen in the South's letter 1446, his delegation considered that a special letter on the South's stand on Article 14(c) should be sent to the Co-Chairmen.

3. I discussed the question with Sir Hugh Stephenson who felt that his government would have no repeat no objection to a special letter being sent to the Co-Chairmen on the question of Article 14(c) particularly if it contained no repeat no finding of a violation of this agreement. He also showed me Foreign Office instructions to this effect. I was also guided by the comment in your telegram YY322 dated November 22 in which you envisaged the possibility of a letter to the Co-Chairmen on the question of Article 14(c). While stressing to Kaul that we would have preferred reporting to the Co-Chairmen through the medium of the Seventh Interim Report, I said that I would be willing to accept his suggestion on the condition that the Co-Chairmen would be informed that until their advice was received the Commission should postpone further action on Article 14(c) cases. Kaul felt that a special letter was necessary to justify suspension of work on 14(c). He told me that the Polish Delegation would insist on a special report but at the same time would also insist that the Commission continue to deal with 14(c) correspondence.

4. The Indian draft letter was circulated approximately one hour before the meeting on Friday. While we found much of the draft objectionable in that it gave a one-sided summary of the correspondence between the South Vietnamese Mission and the Commission and included unsatisfactory general statements, the operative paragraph was satisfactory from our point of view. It read as follows: "The Commission would therefore be grateful if the Co-Chairmen would kindly give their consideration to this matter and advise the Commission regarding its future course of action. The Commission will however continue to accept fresh complaints, if any, under Article 14(c) but in view of the difficulties mentioned above which it is not repeat not able to resolve on the spot the Commission feels compelled to postpone further action on all cases under Article 14(c) until further advice or instructions are received from the Co-Chairmen".

5. At the March 22 meeting I said that a special communication to the Co-Chairmen tended to exaggerate the importance of 14(c) and might create a precedent for singling out

other articles for similar treatment and that I preferred that the report on 14(c) should be included in the next interim report. I realize however that the Chairman wished unanimous acceptance of his proposal and in that spirit I was prepared to accept a special communication in principle. On the question of the draft itself I suggested that the latter be shortened by eliminating the history of the question about which it might be difficult to reach agreement and instead attach copies of the relevant correspondence.

6. The Polish Commissioner accepted the idea of a special report, stated that Article 14(c) was most important, proposed additions to the Indian draft which dwelt on the South's failures to send replies and vigorously opposed the suggestion that the Commission discontinue further action on Article 14(c). The Chairman then proposed that the Canadian and Polish delegates circulate their suggested decisions to the draft and suggested that the items be further considered at the next meeting.

7. Our revised draft merely referred to paragraph 2 of the letter from the Co-Chairmen to the Commission dated May 8, pointing out that it had been clear that there was a disagreement between the Government of the Republic of Vietnam and the International Commission over the interpretation and application of Article 14(c), listed the correspondence to be attached (including the various memos of the South on procedure of late 1955 and the Commission's reply on that question dated January 7, 1957). Our draft went on to take the wording of the Indian draft. The South had not repeat not accepted the unanimous views of the Commission on the interpretation of the acceptability of Article 14(c); that the Commission was therefore no repeat no longer in a position to supervise its implementation and settle the complaints under this article and that the Commission wished to bring to the notice of the Co-Chairmen this serious difficulty in its activities. Our draft ended with the operative paragraph of the Indian draft quoted above.

8. The Polish revision of the Indian draft added a number of sentences referring to scores of new complaints unanswered and the "complete lack of cooperation" on the part of the South and deleted the last sentence of the operative paragraph.

9. At the meeting yesterday morning the argument continued. Kaul was very forceful in urging that in order to give a complete picture of the situation the Co-Chairmen must be informed that the Commission was unable to take further action on Article 14(c) cases. To (group corrupt) the last sentence of the operative paragraph as suggested by the Poles would mean self deception on the part of the Commission and he hoped that the Polish Commissioner would be able to agree to the substance of this proposal. He complimented the Canadian Delegation on its concession on the question of making a special report and on its objective approach. He agreed with the point which I made that we could not repeat not logically report to the Co-Chairmen that the Commission was unable to carry out its functions under Article 14(c) and at the same time continue to deal with 14(c) items.

10. After a long discussion Kaul proposed an amendment to his operative paragraph which does not repeat not alter its practical result. The last phrase of the last sentence now reads as follows: "The Commission is not repeat not able to take any further action in cases under Article 14(c) unless these difficulties are resolved". Kaul then said that he had introduced the Indian draft of a special report to the Co-Chairmen on the condition that if he was unable to get unanimous acceptance on it or a revision of it, he would reserve the right to withdraw it. He considered that it was essential that his operative paragraph be retained. He was now wondering if indeed it would be the right course to withdraw the Indian draft. He went on to say that if unanimity were still not repeat not possible he would reserve the right to reconsider whether or not repeat not a majority decision would be the best method of dealing with the problem.

11. The Polish Commissioner asked for some time to study Mr. Kaul's amendment to his operative paragraph but gave no repeat no indication that he would in the end agree to it, as he continued to maintain that the Commission should not repeat not suspend 14(c) activities. A further discussion will be held on the items at a special meeting of the Commission on April 2 in Hanoi.

12. It now appears that the Indians might possibly be willing to go ahead with a majority report to the Co-Chairmen on the question of 14(c). We hope that they will agree to a letter in simple terms such as we have proposed and we are cheered to know that they will insist that the Commission should not repeat not take further action on 14(c) cases.[56]

[T.] CARTER

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690. DEA/50052-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], April 18, 1957

FUTURE OF THE INDOCHINA COMMISSIONS

We have made a review of the work of the three Commissions in Indochina to see what can be done to reduce activities and personnel there in the next few months. We have consulted our Commissioners on the ground, sounded out the Indians and had the benefit of discussions with Bruce Williams and Brigadier Moncel. Our review deals separately with the situations in the three countries and then sums up with some general observations.

Cambodia

2. When Mr. Nehru visited Ottawa in December we gave Sir R. Pillai a memorandum[57] setting out our reasons for renewing the arguments for the dissolution of the Cambodian Commission that had originally been stated by Arnold Smith when he tabled a resolution on the subject in the Commission in May, 1956. On February 6 Mr. Desai gave the Indian reply[58] to Mr. Reid. He said that legally the Commission still had a responsibility under Article 7 to supervise Cambodia's undertaking not to enter into a military alliance or solicit foreign aid in war material or instructors except for the effective defence of its territory. Their interpretation of Article 25 requires unanimous agreement in the Commission to

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[56] Le 11 avril 1957, la commission convenait à l'unanimité du libellé d'une lettre « more factual and shorter » adressée aux coprésidents, et concluant que « the Commission was not able to take any effective action on cases under Article 14(c) unless its difficulties were resolved. » Pour le texte de la lettre, voir United Kingdom, Parliamentary Papers, Cmnd. 335, *Seventh Interim Report of the International Commission for Supervision and Control in Viet-Nam, 1 August, 1956 to 30 April, 1957*, London: Her Majesty's Stationery Office, 1957, pp. 29 à 30.

On April 11, 1957, the Commission agreed unanimously on the text of a "more factual and shorter" letter to the co-chairmen which concluded "that the Commission was not able to take any effective action on cases under Article 14(c) unless its difficulties were resolved." For the text of the letter, see United Kingdom, Parliamentary Papers, Cmnd. 335, *Seventh Interim Report of the International Commission for Supervision and Control in Viet-Nam, 1 August, 1956 to 30 April, 1957*, London: Her Majesty's Stationery Office, 1957, pp. 29-30.

[57] Voir/See Document 709.

[58] Voir/See Document 710.

reduce activities and this can only be effected "in regard to the development of the situation in Vietnam and Laos." Mr. Desai pointed out that the Cambodian Government wanted the Commission to stay and it could be assumed that the other party — the Vietminh — would also. The Poles were also opposed to dissolution. The Indians were therefore not prepared to support our resolution on dissolution but they would help us with reduction.

3. Mr. Reid's comment on his interview with Desai was:

> "It seems to me clear from my conversation with Desai that if we continue to keep our dissolution resolution on ice the Indians are prepared to use their best efforts to have the Commission reduced to next to nothing."

4. We have thought that since there is a supportable legal argument for the continuation of the Commission, since both signatories of the Cease-fire Agreement want the Commission to stay and since the Indians and Poles are opposed to dissolution at this time we have the alternatives of:

(a) walking out of the Commission, or

(b) working for the time being with the Indians to secure maximum reduction of activities and personnel.

There would be disadvantages in walking out. It would be regarded as an undemocratic procedure for getting our way. A somewhat similar tactic employed when Dr. Patterson was temporarily withdrawn when the UN Temporary Commission on Korea voted against us to observe elections in South Korea in 1948 was quickly reversed in the face of popular outcry. Our walking out of the Commission in Cambodia would create a precedent for the Indians to walk out of UNEF.

5. Further efforts at reduction would be the more prudent course. You will be aware that the Commission has already eliminated the four fixed teams outside Phnom Penh and reduced total strength from 307 to 186. The Canadian Delegation is down to a total of thirteen now including an Acting Commissioner (EAO-5), Political Adviser (FSO-1), Military Adviser (Col.) two majors and administrative personnel. If our current proposal to eliminate fixed team Phnom Penh is accepted we will be able to eliminate two more officers.

6. If this withering away process can be continued with Indian cooperation we are hoping that we may, in due course, have the work of the Canadian Delegation in Cambodia taken over on a part-time basis by a Canadian representative outside Cambodia who might go to Phnom Penh once a month for a *pro forma* Commission meeting. We think that there would be transportation difficulties and problems of conflicting pre-occupations in the way of the Commissioners in Vientiane or Hanoi taking on this additional assignment at this stage. We are, however, making enquiries. A solution which would avoid these problems would be to have a Canadian Ambassador in Saigon accredited as both Ambassador and Commissioner in Cambodia. He could go up to Phnom Penh from time to time to attend meetings and we might hope that this might be eventually regarded as a sufficient symbol of the continuing interest of Commission governments in the maintenance of the Geneva Agreements.

Laos

7. Although agreements *en principe* were concluded last August and last December looking to the unification of Laos, in fact there has been no agreement on the detailed procedures and timetable for implementation. This means that Pathet Lao and Royal Government forces still face each other in the provinces of Sam Neua and Phongsaly. There is only an armistice — no peace. While this situation remains, or until the question

of supervision of the implementation of any settlement (particularly the military aspect) is decided there is a continuing task for the Commission to perform in Laos.

8. It has been our view that the Commission in Laos has three valuable functions to fulfil:

(a) supervise the ceasefire;

(b) by the presence of its teams in the northern provinces discourage the open intervention of the Vietminh there;

(c) give moral support to the Royal Government in the political negotiations.

While Campbell has reported to us on political developments in Laos, because this is the backdrop against which the Commission must play, he has been pretty successful in keeping the Commission from meddling in things that aren't its business.

8. We are going to make another effort to get agreement on elimination of some of the teams outside the areas where the two armies face each other. In the past the Poles have argued that they will only agree to eliminating a team in the South if we agree to eliminate one in Pathet Lao territory. Decisions to reduce activities must be adopted unanimously, according to Article 39, but we may be able to make some progress if we can get the Indians to advance the proposals.

9. We now have three Foreign Service Officers in Laos — an FSO-5 and 2 FSO-2's. We are thinking of transferring one to Saigon to replace Cannon.

Vietnam

10. The biggest and most important operation is in divided Vietnam where the 300,000-man Vietminh Army and developed agent organization still pose overt and covert threats to the security of South Vietnam and neighbouring areas. The South Vietnam Government has told us that they want the Commission to stay as a deterrent to Vietminh aggression and that they value the role we have been playing on the Commission. The Americans, Australians, British and French have also assured us that they want to see the Commission continue. The value of the International Commission was reassessed only last month by the SEATO powers when they decided it was more important to keep the Commission in being than to bring South Vietnam into SEATO in defiance of the Geneva Agreement.

11. Of course we think that the essential tasks of serving as a symbol of the Geneva Agreement, maintaining stability and watching over the demarcation line at the 17th parallel could now be done with a substantially reduced Commission establishment. Our problem has been how to secure this reduction in the face of Vietminh and Polish determination to preserve the whole fabric of the Armistice supervision machinery set out in the Ceasefire Agreement and the unwillingness of the Indians to do anything that would modify the Agreement without the concurrence of both parties. In effecting reduction we have not wanted all the blame to be placed all at once on the South as this would be a bad blow to their improving relations with India and the other so-called neutral states of the area.

12. Fortunately, financial pressure from the British and French who contribute to the expenses of the Commissions, has coincided with pressure from the Indian Defence Ministry for personnel reductions at the time of the appointment of a new and more practical-minded Indian Commissioner, Mr. Kaul. He has already cut down the Indian Signals Regiment so that communications with some of the quieter teams will be slower and they will therefore generate less business. He has collaborated with our Delegation to bring an end to investigations of alleged abuses of democratic freedoms under Article 14(c) which will enable us to eliminate one FSO and permit the reduction of 6 officer teams to 3 officer teams by cutting out the mobile investigation elements.

13. The remaining substantial responsibility of the Commission fixed teams is to check on the import of war materials and entry of military personnel. Brigadier Moncel says that Mr. Kaul insists on remaining within the four corners of the Armistice Agreement. He suggests, however, that we might get the Indians to go along with a plan to write letters to the North and South asking them to agree to restrict war material imports and personnel entries to say 2 ports each. Brigadier Moncel argues that it is wise to play along with the Indians while they show their present disposition to move in the direction we would like to go. He says that if we try to go too quickly we may trip.

14. Our thinking has been that we should aim at small Commission headquarters staffs in Hanoi and Saigon, a mobile team to serve as a warning bell in case of any aggression at the 17th parallel, and possibly one or two arms control teams for some time in the North and South.

Conclusions

15. Certain general conclusions have emerged from our restudy of this question:

(a) All the Indochinese Governments wish the Commissions to continue.

(b) Our friends (U.S., U.K., France, Australia) wish the Commissions to continue.

(c) The Indians and Poles are disposed to continue.

(d) Although it is evident from a practical point of view that the Cambodian Commission has completed its essential task it is legally arguable that the Cambodian Commission has continuing responsibilities. The three agreements are tied together by parallel articles which require consultation among them about reduction of activities having regard to developments in the other countries. These articles also require unanimity.

(e) Walking out of any of the Commissions would lay us open to the charge of undemocratic procedure to gain our ends and establish precedents which might cause us problems elsewhere, e.g. UNEF.

(f) Financial pressure is bringing about a review of establishments by the Indians.

(g) A number of reductions have been made already and others are being discussed.

(h) The External Affairs personnel requirement is shrinking. We now require two good FSO-5's as Commissioners in Vietnam and Laos; two good FSO 3 or 4's for Hanoi and Saigon; one less active FSO 4 or 5 as Acting Commissioner in Phnom Penh and the rest are FSO-1's receiving good training.

(i) While the Delegations remain we get helpful political and intelligence reports on the area, *but* our Delegations have been successful in preventing the Commissions from spreading themselves.

15. We think that our personnel in Indochina continue to perform a useful stabilizing role that is still valued by our friends and that on this account we would be best advised to persist in our efforts to progressively cut down on the activities and establishments of the Commissions in cooperation with the Indians.[59]

J. L[ÉGER]

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[59] Note marginale :/Marginal Note:

I am forced reluctantly to agree L.B. P[earson]

SECTION B

CAMBODGE
CAMBODIA

691. DEA/50052-C-40

Le secrétaire d'État aux Affaires extérieures au commissaire de la Commission internationale de surveillance pour le Cambodge

Secretary of State for External Affairs to Commissioner, International Supervisory Commission for Cambodia

TELEGRAM Y-3 Ottawa, January 6, 1956

SECRET. IMPORTANT.
Reference: Your telegram No. 254 of December 31.[60]
Repeat New Delhi No. Y-12.

ELIMINATION OF FIXED TEAM SITES

We consider that the desirable objective of consolidation of teams in Phnom Penh can be best argued on practical rather than legal grounds.

Political Arguments

2. The practical arguments in addition to those set out in your resolution and statement, seem to us to be chiefly these:

(a) The greater part of the work of the Cambodia Commission has been completed. Remaining duties of fixed teams in checking entry of military personnel and materiel and making investigations can be satisfactorily conducted by a consolidated team in Phnom Penh.

(b) It is undesirable in terms of broad precedents for international supervision of armistices for Commissions to remain longer or in greater strength than minimum required for discharge of their essential functions. Overstaying may give rise to suspicions of Commission and also of disinterestedness of governments concerned which would reflect adversely on future discussions of use of International Commissions for Supervision and Control of armistice arrangements, etc. A broad argument like this with a hint at Polish subversive activity and Sihanouk's November letter to Wolniak seems to us to be more appropriate than pressing too hard on narrow grounds of Polish transmitter at Kratie which we would have difficulty in proving and which might be used with too much force by Cambodians if it came to their ears.

(c) Decision of Vietnam Commission to relocate fixed team from Muong Sen at Con Cuong on grounds that functions can be adequately performed at latter point where accommodation and facilities more satisfactory has established a useful precedent for consolidation.

(d) Commission's authority and prestige in the discharge of its remaining functions will remain high with Cambodian government and people only if it is evident that Commission is realistically cutting its operations and size in accordance with these limited remaining functions. Unfortunate tension would be created if Cambodian government felt compelled to request Commission to wind up its operations more quickly than it is now doing.

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[60] Voir/See Volume 21, Document 668.

(e) Your proposed resolution calls for no reduction in activities. Adequate provision is made through reference to transport and communications for consolidated team at Phnom Penh to perform remaining functions of fixed teams.

Legal Arguments

3. Our comments on the legal arguments that may be adduced to support the practical considerations outlined above follow:

(a) The distinction between reduction of establishment and reduction of activities (over which Poles may claim a veto under Article 25) has some validity. We think it quite in keeping with the concept of the three armistice agreements to anticipate a progressive reduction in establishments as the number, nature and importance of remaining functions decreases. This is consistent with the publicly stated view of the Minister that Canada will retain representation on the Commissions in Indochina only so long as there is a constructive job to be done.

(b) We agree with paragraph 8 of your 238 of December 9 that an argument might be made under Article 12(2) that since points of location of the fixed teams may be altered by agreement between the Government of Cambodia and the International Commission such changes do not require the unanimity mentioned in paragraphs 20 (2), 21 or 25. Hence if majority agreed to consolidation of teams in Phnom Penh and Cambodian government agreed other member could not properly challenge the validity of this agreement.

(c) The precedents mentioned in paragraph 2 and 3 of your 250 of December 23 whereby changes in locations of fixed teams in Laos and Vietnam were made without consulting other Commissions might be cited to support argument that relocation or consolidation of team sites does not fall under Article 25 relating to reduction in activities in which such consultation appears mandatory.

Tactics

4. We agree to the plan in paragraph 6 of your 254 that you might accept progressive reduction as a practical provisional compromise. Would it not be better to have Indian introduce amendment to your resolution rather than introduce amendment yourself?

5. We wonder whether discussing proposed resolution with Cambodians at this stage might not create an embarrassing pressure on the Commission. On the other hand we see value in our getting credit with the Cambodians for this initiative and in ensuring that they understand broad purposes of resolution and considerations involved in its discussion in the Commission. This would appear the more desirable if there has been or may be some leak about your resolution. Informing Indians that you think that the resolution should be discussed with the Cambodians possibly with reference to need for understanding and cooperation in transfer of functions of fixed teams might be a useful way of putting pressure on Indians. We think that you are probably in best place to weigh these considerations and determine tactics accordingly.

6. In regard to voting we accept the tactics you propose in paragraph 9 of your telegram 254.

7. Delhi: Please discuss with Desai if possible the resolution and statement contained in Phnom Penh telegrams 230 and 231 of December 7 repeated to you and considerations outlined in paragraph 2 in particular of this telegram. Please emphasize our desire to see fixed teams consolidated in Phnom Penh. Please ascertain how far Indians are prepared to go now and later.

692.

DEA/50052-C-40

Le commissaire de la Commission internationale de surveillance
pour le Cambodge
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Cambodia,
to Secretary of State for External Affairs

TELEGRAM 3

Phnom Penh, January 6, 1956

SECRET

Reference: My telegram 254 of December 31.
Repeat Hanoi No. 1; Vientiane No. 1; London No. 3.
By bag Delhi, Paris.

REDUCTION

1. At this morning's Commission meeting Wolniak started by saying the Polish government would agree to eliminate the Kampot team at the end of January on condition that no further consideration or discussion of any further reduction take place until March. Wolniak would make no commitment about the stand he would then take on reduction. General Kirpal and I indicated that we would never accept such a cynical bargain. The Pole then suggested that informal talks might take place later with a view to off the record discussions of a time table for further discussions. Meanwhile Wolniak said his instructions (group corrupt) acceptance of elimination of any other teams.

2. In anticipation of the meeting we had divided our December 6 resolution into four separate resolutions each referring to one of the 4 provincial teams. I introduced them and the Kampot resolution was adopted unanimously.

3. In view of paragraph three of your telegram Y183 of December 20 I did not press a vote on any of the remaining resolutions although the Indians have stated on the record that they would support us as far as Kratie is concerned. I left on the table (group corrupt) not voted on the remaining three resolutions. If I do not hear from you to the contrary I shall continue to let these stand on the agenda and may ask for a recorded vote on one or more of them if this seems likely to assist in keeping India on our side and keeping up the pressure on the Poles. Our progress on reduction is slow but this nibbling away at the establishment is nevertheless producing results. With the elimination of Kampot the Commission in Cambodia will have been brought down to about one third of its original strength as far as the teams are concerned.

4. Moreover the results in showing up to the Indians the real nature of Polish policy may prove even more important in long run especially when wind up of this Commission comes to be considered. The Pole made use of all sorts of delaying tactics and clearly demonstrated to the Indians here Polish cynicism in keeping teams in being when they are no longer required to perform Commission functions. To this extent pressing the matter as far as we have done has undoubtedly proved a useful exercise to Indian deduction. The Indian Delegation has been swinging very markedly in sympathy toward us during recent weeks and today's demonstration by the Poles (reaffirmed?) this.

5. General Kirpal and I have decided to continue to press Wolniak and begin informal talks tomorrow in an effort to smoke out Polish intentions which at the moment seem to be to stay here as long as they can and repeat the Korean NNSC stalemate. (For Hanoi and

Vientiane) Our Kampot resolution has been forwarded to your Secretary General for comments. Please try to ensure that these are forthcoming as soon as possible. I trust they will consist of "no comment".

ARNOLD SMITH

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693. DEA/50052-C-40

Le secrétaire d'État aux Relations avec le Commonwealth du Royaume-Uni au haut-commissaire du Royaume-Uni à Ottawa

Secretary of State for Commonwealth Relations of United Kingdom to High Commissioner of United Kingdom in Ottawa

TELEGRAM 375 London, February 21, 1956

CONFIDENTIAL

Following is text of Foreign Office telegram to Phnom Penh No. 108, 20th February, repeated for information to United Kingdom High Commissioner Ottawa and Saving Saigon, Vientiane, Singapore, Bangkok, Paris, Washington, Delhi. Begins.

FUTURE OF INTERNATIONAL COMMISSION IN CAMBODIA

Discussions on this subject were held with the Canadians during my visit to Ottawa. If the objective of withdrawing the Commission from Cambodia is to be achieved without prejudice to the position in Vietnam and Laos, it is important that the Cambodian government should assist in the process.

2. You should discuss the problem frankly with Prince Sihanouk on his return, making the following points,

(i) The Canadians, the Indians and ourselves are all agreed that the Commission should be withdrawn from Cambodia fairly soon.

(ii) The future of the Commissions in Vietnam and Laos is at present in doubt. We wish to see the Cease-Fire arrangements maintained and think that the Commissions in those two countries should continue if possible until some settlement is reached. The withdrawal of the Commissions and a deterioration in the situation in Vietnam and Laos might threaten the security of Cambodia. We hope therefore to achieve the withdrawal of the Commission from Cambodia without prejudicing the future of the Commissions elsewhere. In view of Polish opposition to withdrawal of the Cambodian Commission, considerable care will have to be exercised and it is important that the Cambodian government should not take any precipitate action which might damage the prospects.

(iii) If the Poles cannot be brought to agree to withdrawal of the Cambodian Commission, we are still hopeful that a means to withdraw it may be found without reconvening the Geneva Conference.

(iv) In the meantime the Cambodians can help to strengthen the Canadian and Indian arguments for withdrawal by refraining from putting new business before the Commission, and by expediting the settlement of existing business.

(v) As Article 7 of the Cease-Fire Agreement, which now provides the only important remaining tasks for the Commission, is linked in part with the attainment of a settlement in Vietnam, and as the prospect of such a settlement seems at present remote, the Commission cannot argue that the Cambodian assurances will have lapsed. But to enable the Commission to withdraw and to prevent the Vietminh from having any excuses for meddling in

Cambodia, the Cambodian assurances will have to be maintained. We hope that if it should be necessary, the Cambodian government would be prepared formally to renew its assurances in respect of foreign aid in war material and military personnel, and would undertake on its own responsibility to continue to implement the corresponding provisions of the Cease-Fire Agreement so long as a settlement in Vietnam were still unattained.

3. You should discuss these instructions with the Canadian Commissioner before approaching Sihanouk and should refer to me if he does not agree on any points. Ends.

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694. DEA/50052-C-40

Le commissaire de la Commission internationale de surveillance pour le Cambodge au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Cambodia, to Secretary of State for External Affairs

TELEGRAM 45 Phnom Penh, February 24, 1956

SECRET. IMPORTANT.
Reference: Your Tel Y18 Feb 7.[61]
Repeat New Delhi No. 24; London No. 11.

FUTURE OF THE CAMBODIAN COMMISSION DATED FEB 13

1. I have only today received your interesting telegrams Y18, 19[62] and 20,† of February 7 and 8. In view of the length of time sometimes taken by encyphering, transmitting and decyphering messages, I am not clear whether you have considered the situation reported in my 23† and 24† of January 31 (incursions from South Vietnam of armed bands apparently made up of members of the sects under Vietminh leadership), before you suggested that the U.K. representative here point out to the Cambodian government that it should avoid bringing any new business to the Commission for settlement.

2. If you had not done so before making your request to the U.K. it may be that you would wish to re-examine the situation in the light of those telegrams and other reports (e.g. Johnson's despatch 48 of February 8†), which suggest the possibility of Vietminh subversion along the Vietnamese-Cambodian border during coming months; and then to reaffirm or modify the request.

3. I myself would have hesitated in view of the uncertainty of the situation just at present and the extent of the Cambodian government's concern over relations with South Vietnam, to tell Sihanouk too categorically at this moment that he should in his own interests avoid giving *any* new business to the Commission. I would also, as you know, hesitate to recom-

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[61] Voir le document 609, où sont consignés les résultats d'une série de discussions entre fonctionnaires anglais et canadiens sur la question de l'Indochine, tenues à Ottawa en février 1956. Un rapport sommaire de la politique canadienne au Cambodge, préparé en vue de ces discussions, est joint en tant qu'annexe au document 613.

See Document 609, which records the results of a series of official-level Anglo-Canadian discussions on Indochina held in Ottawa in February 1956. A summary report of Canadian policy in Cambodia, prepared for these discussions, is attached as an appendix to Document 613.

[62] Voir/See Document 611.

mend expressing any categorical Commission disinterest or lack of jurisdiction in what might just conceivably become a fairly real communist threat through subversion and armed irregulars. While the threat would be primarily against Vietnam, it might not be exclusively so, and in any case there may be a tendency for the Vietminh penetrated sects to make use of Cambodian territory as a safe-haven base from which to conduct anti-Diem operations. If such a development is indeed in the offing, the Cambodian Commission could conceivably be useful to deter it.

4. There is also the new (or rather old and hitherto forgotten) problem of the Cambodian desire to expel former communist collaborators from among the Vietnamese minority in this country (my telegram 27 February 9†). Though this problem may prove messy, I hope we may be able somehow to find some commonsense and quiet solution. But here again it might appear a little odd for the Commission to request through a third party exemption from precisely the sort of duties for which we were established.

5. On the other hand, I do think it would be useful at some suitable opportunity to urge Sihanouk not to invoke the Commission's assistance except in serious cases. We might also speak to Sihanouk about the essential distinction between the sects, which are falling increasingly under Vietminh influence, and Diem's forces; and suggest to him that for the stability of South-East Asia as a whole it would seem desirable that there should be an understanding, and (at least informal) direct contacts, between the Cambodian and South Vietnam governments. It is not in Cambodia's interests to weaken Diem since the alternative would probably be a Vietminh régime in South Vietnam; I think Sihanouk could be brought to see this. Sihanouk might also be told that the Commission's terms of reference and composition were designed to enable it to mediate between the Cambodian and the Communists. It cannot usefully get involved in disputes between the two neighbouring non-communist governments of Cambodia and South Vietnam. Sihanouk could I think be made to see that the Poles would probably try to exacerbate Cambodian-South Vietnamese relations rather than improve them.

6. I quite agree that frank discussions with Sihanouk about the situation and the future of the Commission will shortly also be desirable. Might it not, however, be useful that these discussions, whether initiated by the British or ourselves, or both of us in parallel, should be postponed for a couple of weeks

(a) to allow some clarification of Cambodian-South Vietnam relations and a mature assessment by ourselves of the threat, if any composed by Communist bands along the frontier; and

(b) to try to see clearly in our own minds how best to handle the various problems which we may encounter in the next few months?

7. It would, for example, be useful to have here some sort of idea what way is expected to be found to withdraw the Commission from Cambodia in a few months if the Poles oppose this. If, as seems likely, it proves inexpedient to use the argument I had had in mind earlier, about automatic expiry of the Cambodian obligations in July 1956, then as presently advised I do not see how we can avoid recognizing that a wind-up of the Commission is a "reduction of activities" in the most absolute sense, and hence subject to a veto under Article 25. Should I draw from your statement (in paragraph 9 of your telegram Y18) that this is a Polish legal view, the conclusion that we might have some alternative legal argument. Or would we contemplate resigning.

8. Incidentally, I have not received any reply to my "principles or agents" telegram 1 of January 4.† At the time I of course had in mind that possibility of wind-up even without Polish concurrence by a Canadian-Indian ruling that the Cambodian obligations under the

Cease-Fire Agreement had expired, which would have automatically entailed the wind-up of the Commission charged with supervising implementation of the obligations. But even without the automatic expiration the question may prove not entirely academic. Wolniak, in a discussion a few weeks ago with Kirpal and myself, made it clear that in his view the Commission could not itself decide to withdraw, but could at most only so recommend to the Geneva Powers, who would decide. Such a procedure if accepted by the Indians and ourselves might make it fairly easy for the Communists to delay a decision for several months, without formally taking the onus before the Cambodian government of vetoing a wind-up. It could also, I suppose, facilitate a Communist hold-out for a reconvened Geneva Conference with Cambodia included on the agenda.

9. I myself would not yet give up hope that we and the Indians might eventually succeed in persuading the Poles to concur in a wind-up this summer: but I would not be sufficiently sure of this to want to make a promise to Sihanouk without some idea how we would implement it if the Poles did refuse to go along.

10. I am also a little doubtful about the suggestion to the U.K. authorities reported in paragraph 10 of your telegram Y18, which also put forward to me in paragraph 3 of your telegram Y21† [...][63] that the U.K. Ambassador and I would advise Sihanouk to [...] assurances that he will accept responsibility for conti[...]tation of those portions of the Geneva Agreement which [...] in force until there is a settlement in Vietnam. Since no settlement is expected in Vietnam in the foreseeable future, this would amount to a restriction of indefinite applicability. Even though it may be unwise to state explicitly that the servitude has expired, might we not leave the question of the duration veiled in a decent obscurity?

11. It is, of course, conceivable that when a wind-up of the Cambodian Commission is seriously discussed the price of Polish acquiescence might be some continuing undertaking by the Cambodians. If so, we might want to recommend that Cambodia give appropriate assurances. But it seems unnecessary to give away such a concession in advance of a Polish *quid pro quo*. And, if, before it is necessary we persuade Sihanouk that such a declaration would be in Cambodian interests, then he might make it too soon in one of his ultra-neutral-list orations, and we would thereby lose such bargaining value as it has.

12. We must also consider the effect on Sihanouk of a U.K. or Canadian prompting to renew his devotion to Article 7. The actual terms of Article 7 are, of course, not really restrictive, if given any kind of normal legal interpretation. But in practice the Article, as you know, has been mightily stretched. India's sleight-of-hand interpretation of Article 7 began innocuously, or even constructively, with the thesis that the Treaty (rather than Eden's promise to Chou En Lai) precludes Cambodian membership in SEATO — (which would have been a bad idea anyway as it would greatly increase tension while contributing nothing to SEATO strength). But the interpretation has gone a long way since then. You will recall, for example, the Indian-Polish contentions last summer about MAA again, the reference in Article 7 to "instructors" is tacitly taken in some quarters to preclude American but not necessarily Indian military training etc.

13. The real problem about continuing obligations is that Parthasarathi, last spring and summer, seems to have scared Sihanouk by the fuss over the U.S.-Cambodian military aid agreement, and to have convinced the Prince that in effect Cambodia has a Geneva Treaty obligation to pursue a policy of neutralism. Sihanouk has several times (including I understand in speeches during his recent trip to China) referred to this Geneva obligation to be

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[63] La partie entre crochets est illisible sur l'original, qui a été gravement endommagé.
The material in square brackets is illegible in the badly damaged original.

neutral. The distinction between military neutrality and political neutralism has been blurred out of sight, and clever Indian diplomacy has used its interpretation of an alleged neutralist undertaking in the Geneva Agreement to build a very far-reaching edifice: this edifice seems to imply that Cambodia must balance co-operation with the West by more or less equal co-operation with the Communists (e.g. no exchange of representatives with Saigon unless a Hanoi Mission is also allowed here).

14. I hope things will not go this far, but it is just conceivable that the Communists may, with Indian assistance, pull off a sort of diplomatic end-run in Indo-China. Vietnamese or Chinese Communist missions here, followed perhaps by Soviet or Chinese offers of economic and technical assistance (which "it would be unneutral to refuse") might allow the development via the Vietnamese and Chinese minorities in Cambodia of a good base for communism penetration of South Vietnam.

15. On the other hand, it is possible that Sihanouk may revert, at least for a while, to a less "neutralist" line by improving his relations with the United States, and (though much of the responsibility for bad relations may lie in Saigon and Bangkok) by trying to improve them with South Vietnam and Thailand. Sihanouk has a propensity to treat foreign policy as a pendulum act, veering excitingly most of the time to one side or the other and rarely being at dead centre.

16. Incidentally I am not suggesting that the only basis for Cambodian neutralism is the Geneva Agreement. Nor would I suggest that neutrality is necessarily a bad policy for this country — indeed we in this delegation have occasionally toyed with the idea that there may be all-round advantage in a neutralisation of Cambodia guaranteed by India and Communist China and perhaps also by the Western Great Powers. But for Canada and the United Kingdom to urge Sihanouk to reiterate his devotion to Article 7, without clarifying the confused interpretation of its implications which he has been led by the Indians to accept, and which conflict seriously with the present United States policy of trying to build up this area's defensive strength, might be open to misunderstanding.

17. I hope you do not mind these comments, which may well be prompted by insufficient information or understanding on my part. I have not abandoned the recommendation for an early wind-up which I submitted in my "latter ends" telegram of December 24; but I would like to feel satisfied that the subversion threat is not sufficiently serious to call into play the qualification in paragraph 20 of that December 24 message. I feel unable to assess (now?) with much confidence the real extent, if any, of the Vietminh threat along the South Vietnamese-Cambodian border. Naturally this depends in part on the prospects for the future of the Vietnam Commission. But if we can establish that Communist *capabilities* along the frontier are not too great, then their intentions can perhaps be ignored as far as the Cambodian Commission is concerned.

18. I hope that within a few weeks the situation may be sufficiently clarified in most of these points to allow us to revert with confidence to some settled line on the future of this Commission. But until we are reasonably confident in our own minds of the policy that is in the Cambodian and general interest, we are unlikely to be able to persuade the Indians, and if we cannot carry them we are unlikely to get a neat solution.

ARNOLD SMITH

695. DEA/50052-C-40

Le commissaire de la Commission internationale de surveillance pour le Cambodge au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Cambodia, to Secretary of State for External Affairs

TELEGRAM 46 Phnom Penh, February 25, 1956

CONFIDENTIAL. IMPORTANT.
Reference: Your tel Y33 Feb 22.†
Repeat London No. 12; New Delhi No. 25.

FUTURE OF CAMBODIAN COMMISSION

1. Dated February 23. The British Ambassador called on me yesterday and showed me a copy of telegram 108 of February 20 to him from the Foreign Office, London, which was repeated to Ottawa. You will no doubt get a copy from Earnscliffe. Heppel was instructed to have a frank discussion with Sihanouk on lines closely based on those put forward in your telegram Y18 of February 7. However, Heppel was asked to discuss his instructions with me before approaching Sihanouk and to refer back if there were any points on which I did not agree.

2. When I received on February 13 your telegram Y18 of February 7, I had a number of misgivings and dictated a telegram of comments to you. However, I held up the transmission of that telegram partly to have time to think things over, and partly to see whether there were also second thoughts in Ottawa or London as a result of our various telegrams reporting the troubled situation between Cambodia and Vietnam. The fact that Heppel had not received any instructions for two weeks after the date of your telegram Y18 encouraged me to think that you and the British might in fact be giving further consideration to the question and I continued therefore to delay transmission of my comments.

3. When, however, Heppel called on February 22 I felt I should show him my draft telegram of comments and see to what extent he shared my feeling that some further consideration was desirable. He shared it fully, he told me. Indeed, Heppel tells me that he believes that if in the present circumstances he tried to persuade Sihanouk not to refer matters to the Commission, he expects that Sihanouk would reject this advice and claim that his small country needs international protection.

4. Heppel and I discussed in some detail my rather lengthy comments of February 13, and Heppel is in general agreement with them. I am therefore now transmitting to you, in my immediately preceding telegram, the message of observations which I had drafted on February 13. I understand that Heppel is telegraphing along somewhat similar lines to the Foreign Office.

5. Apart from the considerations mentioned in my February 13 comments, there is also the point that so far as I know the Indians are not yet in agreement that the Commission should be withdrawn soon from Cambodia. General Das has, as you know, been hesitant about reduction of teams, though I think he is gradually coming around on this questions. He says, however, that he has no instructions on withdrawal of the Commission. The last word we here have had from Delhi on the question is in Escott Reid's telegram 54 to Ottawa of January 19,† in which Desai opposed reduction of the Battambang and Svay

Rieng teams and took the line that "The *Cambodian* Commission would have to continue in existence until the future of the Vietnam Commission was resolved". I do not know whether you have latest information about Indian views or whether you have been relying on the agreement which I had reached with Kirpal and Wolniak (my telegram 9 of January 10, 1956†), to make joint recommendations to our three governments. General Kirpal has gone, the Indian government has not so far as I know replied to his recommendation, and in any case Wolniak broke the agreement. Here again I hope to win General Das around to our views, but it is I fear too soon as yet to count on Indian concurrence.

6. Naturally it was only very reluctantly that I expressed doubts about the line worked out in the Canadian-U.K. talks in Ottawa for Heppel to put up to Prince Sihanouk. However, the resultant delay would I think in any case have been unavoidable, as the Prince became ill a few days ago and all appointments for the next 10 days have been cancelled. It would hardly be worth while seeing anyone else on the subject we have in mind: and there is unlikely to be an opportunity for serious talks with the Prince until after the coronation celebrations (March 2 to 8).

7. Heppel and I are both awaiting further instructions.

ARNOLD SMITH

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696. DEA/50052-C-40

Le commissaire de la Commission internationale de surveillance
pour le Cambodge
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Cambodia,
to Secretary of State for External Affairs

TELEGRAM 55 Phnom Penh, March 8, 1956

SECRET. IMPORTANT.
Reference: My tel 251 Dec 27/55† and 51 Mar 3/56.†
Repeat London No. 14; New Delhi No. 130.
By bag Hanoi, Vientiane.

A WAY HOME?

1. I have been giving some thought to possible methods of winding up the Cambodian Commission without relying on the argument which I had put forward to you in my "latter" telegram of December 27, that Cambodian obligations, and therefore the Commission's terms of reference, expire automatically in July 1956.

2. It is, of course, possible that Poland may oppose wind-up to the end. If they do, we may eventually have to get tough in one way or another. But it is, I think, conceivable that the Poles may be persuaded to be reasonable in this matter. I am, for example, heartened by the extent to which, despite earlier Polish obduracy, our efforts to reduce teams have produced results and have indeed gradually obtained Polish agreement, however reluctant. In any case, I would like to try to exploit the present momentum here. Moreover, if it should turn out that the Poles remain unreasonable so that we have to consider more drastic action, a clear record of their reaction to reasonable proposals will in any case be a desirable preliminary. For this and other reasons, therefore, I am inclined to think that this

is a situation for (group corrupt) proposals. There is, or should be, an old Canadian adage: "when in doubt, play it straight".

3. I would like, therefore, if you agree, to introduce in the Commission a resolution calling for wind-up of the Commission on (say) April 30, 1956. The date itself could be negotiable and could if necessary be put off for one or even two months.

4. The resolution might have a few preambulatory clauses recognizing whereas that Cambodia has well discharged her obligations under the Cease-Fire Agreement; that she has obtained effective sovereignty over the whole of her national territory; that her electoral obligations were duly discharged, as the Commission recognizes in its Fourth Report;[64] and that conditions of political and social stability have been achieved. Possibly these somewhat laudatory preambles may be useful in suggesting a distinction between the Cambodian situation on the one hand and that in Laos and Vietnam on the other, to diminish likelihood that winding up this Commission would jolt our sister Commissions. The flattery might also help in obtaining Cambodian government approval of the idea, which could be important in its possible influence on the Indians and Poles. Such sentences might also make it more difficult for the Indians to oppose wind up without risk of offence to the Cambodians. Finally, the laudatory preambles could, if necessary, be sacrificed, providing the Poles would accept the operative conclusion that we recognize that our task is accomplished and go home.

5. We might also, if you agree, include a preambular paragraph recognizing that the PAVN as the other party to the Cambodian Cease-Fire Agreement, has correctly discharged its obligations thereunder. Conceivably an international recognition of good Geneva behaviour would appeal to the Vietminh: and it would not do much damage in the context of the Cambodian Agreement. It may go somewhat against the grain to praise Communists, but if this would help to get Polish acquiescence it would, I think, be worth it and since as a Commission member responsible for (group corrupt) and supervising implementation of the agreement we have not charged the Vietminh with breaches, we already implicitly recognize their acceptable behaviour.

6. I would like to introduce a resolution along these lines, if you approve, within the next week or two. I would not press for an early vote, but would suggest that we should try to reach a decision early in April. This advance tabling of resolution would be in line with the course we have followed and which has gradually got results in regard to elimination of Commission teams.

7. Apart from the resolution there is the question of the Cambodian government's attitude. While not really essential, it would, I think, be very desirable that we should carry Prince Sihanouk with us in our desire to close. Moreover, persuading Sihanouk might prove an essential preliminary to persuading the Indians and Poles.

8. I would therefore like your authority to call on the Prince shortly for a frank discussion. I would remind him of our talk at the beginning of January (my telegram 7 January 10†) and tell him that now that South Vietnam has concluded its elections it seems logical to count on the stability of the régime in South Vietnam, and the [...][65] of the dissident Vietnamese sects, which have been a troubling element along the Cambodian-Vietnamese border, is well on its way to being broken, which removes the danger of Vietminh exploita-

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[64] Voir/See United Kingdom, Parliamentary Papers, Cmd. 9671, *Fourth Interim Report of the International Commission for Supervision and Control in Cambodia, 1 April to 30 September, 1955*, London: Her Majesty's Stationery Office, 1956.

[65] La partie entre crochets est illisible sur l'original, qui a été gravement endommagé.
The material in square brackets is illegible in the badly damaged original.

tion of this situation. I might take the opportunity during this interview of explaining to Sihanouk the inconveniences and the unwisdom of the Cambodian complaint to the Commission about border violations. Could explain the Communist desire to exploit this and exacerbate Cambodian-South Vietnam relations, and Sihanouk's face could be saved by using the fact that the complaints were made by the *previous* Cambodian government of Oun Chreang Sun. I would also point out to Sihanouk that in our view the Commission has no authority to (group corrupt) in relations between Cambodia and South Vietnam.

9. I am not unhopeful that I could persuade Sihanouk that it would be satisfactory for the Commission to leave within the next two or three months, as we had both envisaged earlier. Sihanouk will, I hope regard the threat implicit in the border troubles of the last two months as a temporary and now receding phase.

10. Moreover, it should not be hard to make Sihanouk conscious once again that the international "supervision and control" which are the Commission's functions are by now anachronistic. The Commission has within the past few days sent him a couple of letters (e.g. about amnesty of political prisoners) which, while (group corrupt) should serve to remind him that the Commission is potentially an outside critic of his internal affairs.

11. There is, of course, the risk that if Sihanouk is stimulated to expect an early Commission departure, and the Poles prove obdurate, the Cambodians might themselves take some initiative. As you know, my representations to Sihanouk last August and again at the beginning of January this year were designed to prevent this. However I think that the risk could be (group corrupt) if we ourselves continue to hold the initiative in consulting Sihanouk. I would hope that the most Cambodia would do would be a polite message to the Commission thanking them for their work to date, suggesting or requesting that their task now being accomplished, they leave. If such a note came after Canada had already introduced (her?) resolution to this effect in the Commission, it could I think only strengthen our hand and make the Polish position very difficult. In any case there is I think a good chance that any such Cambodian initiative would not prove necessary.

12. I would hope that the Indians could be brought to agree with us, at least as the result of the pressures of (a) our resolution, and (b) our talk with Sihanouk. Assuming we can convince Sihanouk, I do not think India would want to oppose him. I had a talk with Desai last November when he was passing through Phnom Penh, in which we then took the line that the Cambodian Commission must remain until there was a settlement in Vietnam. His views then struck me as silly and legalistic, and I did not report then because I hoped they would be modified after he got to Delhi. Judging from Escott Reid's telegram 54 January 19† to you, they were still rather rigid in mid-January. I would hope, however, that they might prove more flexible by now.

13. Though (group corrupt) we do not need to take any decision on this matter now, it is useful to consider what courses we might follow if the Poles oppose wind-up to the end. Introducing (group corrupt) course forcing to vote a formal resolution should have such obduracy more difficult for Poland than if we continue to leave the matter in the (group corrupt) of informal and off-the-record discussions. I suppose our ultimate sanction would be resignation. If the Cambodian and Indian governments decide with us that the Commission should go, this should not involve too much contumely. Nevertheless, I would hope that the present neutralist wave in Cambodian policy may make the Poles and Vietminh reluctant to set their face too firmly against what might be considered (group corrupt) in Cambodia's march toward (group corrupt) sovereignty and independence.

14. It is, of course, conceivable that at some (later date?) a declaration by Prince Sihanouk of continuing (group corrupt) to the obligations for Article 7 of the Cease-Fire

Agreement would help to secure Polish consent to Commission wind-up, as suggested in your telegrams Y18 February 5, and Y21 February 10. If so, then when that time comes we could suggest to the Prince that he make an appropriate declaration. I doubt if in his present Bandung mood he would be hard to persuade, and I would recommend that we ask him only if it later proves necessary. As you know, for reasons set out in my telegram 45 February 24, I hope this may not prove necessary. If it does, perhaps I might at the same time take the opportunity of explaining to Sihanouk the real extent of this Article 7 obligations. It would seen a pity to lead the (group corrupt) in Cambodia unduly against our American friends.

15. If none of these measures win over the Poles we might, if we had to, take the line, and get the Indians to take it with us, that wind-up of the Commission was not a "reduction in activities" within the meaning of Article 25, and that therefore a majority decision would suffice. The Indians and the Poles here have taken the line that the elimination of Fixed Teams is not an "alteration in the location" of Fixed Team under Article 12 of the Cease-Fire Agreement. Acceptance of an analogous argument that wind-up is not a recognition of activities under Article 25 might, if the worst came to the worst, conceivably prove to the Indians more attractive than resignation. But there is I think a fair chance that we get eventual unanimity by persuasion. The Poles will not want to alienate either the Indians or the "neutralist" Cambodians and this gives us reasonable leverage.

16. We must of course consider the effect of winding up the Cambodian Commission on the situation in Vietnam and Laos is that it need have no ill effects at least providing we can by means of various pressures such as those outlined above induce the Poles to acquiesce, if not indeed to relax and enjoy it.

17. I suppose that with India's abandonment of her support for a reconvened Geneva Conference, the Communists must realize that the prospects of a conference now are very slight. This would help to make it possible, without danger, to take action in the Cambodian Commission without jeopardizing the situation in other part of Indochina.

18. Finally, I would point out that I see little or no risk, and therefore nothing to lose, in embarking on the course here suggested. We could always (take?) off the pressure at any given stage, and let matters rest for a while if the going got difficult. Meanwhile I do not see how any momentum built up could act other than in our favour.

19. I look forward to your comments and instructions.

ARNOLD SMITH

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697. DEA/50052-C-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Cambodge

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Cambodia

TELEGRAM Y-48 Ottawa, March 16, 1956

SECRET. IMPORTANT.
Repeat London Y-418; Washington Y-492; Paris Y-263; New Delhi Y-215.

FUTURE OF INTERNATIONAL COMMISSION IN CAMBODIA

We have reviewed the availability of the U.K. Ambassador in Cambodia discussing this subject with Prince Sihanouk in the light of comments contained in his telegram No. 103 of February 25 to the Foreign Office, your telegrams 45 and 46 and others relating to Cambodian-South-Vietnam frontier incidents and your telegram 55 of March 8 proposing a way home.

2. We have concluded that we would favour this approach being made fairly soon by U.K. Ambassador in order to:

(a) open up discussion of this subject with Sihanouk so that Cambodian government will act in knowledge of our objectives;

(b) dissuade Cambodians from expecting Commission to solve disputes with South Vietnam;

(c) enlist Cambodian support for Canadian initiatives to bring about withdrawal of Commission.

3. In the light of your comments we agree that it would be advisable to qualify brief outline of points contained in Foreign Office telegram No. 108 of February 20 to Phnom Penh to take account of following considerations:

(a) Indian Agreement to early withdrawal of the Commission is not assured. Our understanding was based on your report of Kirpal's views, which, as you point out, have not been fully accepted by Das or Delhi.

(b) It would be wise to qualify the suggestion that no new business should be brought to the Commission if Sihanouk should choose to discuss this point. However, we consider that the Commission is competent to intervene in frontier incidents only in unlikely event that intruding forces can be shown to be under Vietminh control. Lack of interference with recent elections suggests that security situation in South Vietnam is improving. We think that Cambodians would be unwise to provoke Vietminh by charging Vietminh intervention as in Voensai incident when charge cannot be clearly substantiated.[66] It would be better to deal with intruders by own security forces.

(c) Right timing of reiteration of unilateral declaration by Cambodian government would be important in order not to spend a bargaining counter too soon. In addition it would not be necessary for Cambodians to accept Polish or Indian interpretation of these obligations.

4. To take account of foregoing considerations we suggest that it will only be necessary to amend points in paragraph 2 of Foreign Office telegram to Phnom Penh No. 108 of February 20 in following respects, although further explanation may be given in discussion:

(a) Delete paragraph 2(1) and substitute the following:

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[66] Référence à une violation présumée du territoire cambodgien par le Viêt-minh en août 1955. Voir United Kingdom, Parliamentary Papers, Cmd. 9671, *Fourth Interim Report of the International Commission for Supervision and Control in Cambodia, 1 April to 30 September, 1955*, London: Her Majesty's Stationery Office, 1956, pp. 18 à 20, et 56 à 61, et Cmnd. 253, *Fifth Interim Report of the International Commission for Supervision and Control in Cambodia, 1 October, 1955, to 31 December, 1956*, London: Her Majesty's Stationery Office, 1957, pp. 38 à 42.

Refers to an alleged violation by the Viet Minh of Cambodian territory in August 1955. See United Kingdom, Parliamentary Papers, Cmd. 9671, *Fourth Interim Report of the International Commission for Supervision and Control in Cambodia, 1 April to 30 September, 1955*, London: Her Majesty's Stationery Office, 1956, pp. 18-20, and 56-61, and Cmnd. 253, *Fifth Interim Report of the International Commission for Supervision and Control in Cambodia, 1 October, 1955, to 31 December, 1956*, London: Her Majesty's Stationery Office, 1957, pp. 38-42.

"We have been considering the future of the three international Commissions in the light of the progress made in each country toward fulfilment of the objectives of the Geneva settlement. It is evident that Cambodia has largely discharged its responsibilities ant the Commission could be safely withdrawn fairly soon".

(b) Insert following sentences at beginning of paragraph 2 (iii) "The Commission has now eliminated all but two teams outside Phnom Penh. The Canadians plan to propose the complete withdrawal of the Commission when they think the time opportune. They hope to have Indian support for this move."

(c) In paragraph 2(iv) substitute word "case" for words "Canadian and Indian arguments".

5. The foregoing paragraphs summarize our conclusions from the review which we have made of the advisability of an early approach to Prince Sihanouk. This is for your information only at this stage. We are passing a copy of this telegram to the United Kingdom authorities as a reply to their enquiry on the subject. It is the responsibility of the Foreign Office, of course, to determine what new instructions should be sent to the United Kingdom Ambassador in Phnom Penh. No doubt you will keep closely in touch with him on this matter.

6. We are sending in a separate telegram our comments on the helpful suggestions conveyed in your telegram No. 55 of March 8th discussing "a way home". We agree with you that it would be a good idea for you to introduce a resolution regarding the withdrawal of the Commission at an early date, but we are inclined to think that it would be desirable to have this approach discussed by Mr. Reid with the Ministry of External Affairs in Delhi, first. We doubt if it would really be wise to try to argue that wind-up of the Commission is not "reduction in activities" within the meaning of Article 25. We agree with you that at this stage the best course is for us to "play it straight". It may be that the Pole will insist upon exercising *a veto* and that this will result in a report to the Co-Chairmen. As you suggested, a considerable delay would probably be involved in securing agreement of all the Geneva powers to the elimination of the Commission from Cambodia. We are inclined to think, therefore, that at the appropriate stage it would probably be tactically most effective to have the Cambodian Government write to the Co-Chairmen requesting the withdrawal of the Commission. There might then be some diplomatic negotiations between United Kingdom, Soviet, and possible Cambodian Governments to seek a resolution of this matter. There is, of course, always the possibility of our resigning, but I think that recourse to this method should not be had until other procedures have been fully explored.

[L.B.] PEARSON

698.

DEA/50052-C-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Cambodge

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Cambodia

TELEGRAM Y-52

Ottawa, March 20, 1956

SECRET. IMMEDIATE.
Reference: Our telegram No. Y-48 dated March 16, 1956.

Repeat London Y-441; New Delhi Y-221; Paris Y-282; Washington Y-515.

FUTURE OF INTERNATIONAL COMMISSION IN CAMBODIA

As indicated in paragraph 6 of our telegram under reference we think it would be preferable for Mr. Reid to discuss wind-up question with Ministry of External Affairs in Delhi before you introduce your resolution in Phnom Penh. This will preclude any chance of Indians saying we took them by surprise and will also give us an opportunity to try to win over Delhi to our way of thinking.

2. In our telegram under reference we agreed with the suggestion contained in your telegram No. 55 (which took a week to reach us) that best course is for us "to play it straight". In keeping with this we think that Mr. Reid might put forward the following arguments at this stage:

(a) The remaining tasks of Commission are few and of decreasing importance. The principal job left is supervision of ban of introduction of troops and armaments and establishment of bases (Article 7). A comparison of Cambodia's relatively small armed forces with much larger forces of South Vietnam and Thailand would indicate that there is very little danger of Cambodia instigating hostilities against its neighbours. (We think, however, that a mention now to the Indians of the possibility of a unilateral declaration by the Cambodian government might be premature.)

(b) Both DRVN and Cambodian governments appear to have discharged their main obligations under the Cease-Fire Agreement. It should facilitate work of remaining Commissions if other governments concerned see the withdrawal in Cambodia as an example that Commissions are ready to go when their jobs are done.

(c) The Cambodian government might be more readily induced to assume its full obligations as a sovereign nation and be less inclined to engage in petty bickering with its neighbours if it did not have Commission to appeal to. This should have salutary effect of stabilizing relations between countries in area.

(d) Withdrawal of Commission would remove the possible danger of Poles exploiting Cambodian/South Vietnamese tension in a manner which could only be beneficial to Communists.

We would be grateful for your comments on these arguments and for any suggestions which you might wish to add.

3. We think it might be useful for Mr. Reid to have with him when he calls on Indian Ministry of External Affairs a draft or outline of resolution which you propose to introduce. We would also like a chance to examine draft before its introduction. Concerning the proposed draft:

(a) We are inclined to favour the April 30 date as this would avoid tying up the withdrawal with the settlement of political problems in Vietnam as it is certain we can rule out the possibility of such a settlement taking place in July.

(b) We think preambulatory clauses suggested by you should be useful in persuading both Indians and Cambodians of desirability of winding up and would make it more difficult for the Poles and Russians to oppose our plans.

(c) We also agree that it would be helpful to recognize in resolution good behaviour of both parties.

4. It would be useful, in our opinion, to have your resolution introduced before Molotov and Lloyd meet in London in April when they will undoubtedly be discussing Indochina problems. It should be helpful to United Kingdom to have a definite plan in front of them

at this time especially if we are successful in winning Indian and Cambodian support for it. It might even be possible for Lloyd to persuade Molotov to indicate Moscow's agreement to an early wind-up. (There is, of course, possibility that Russia may wish to get agreement for establishment of diplomatic mission in Phnom Penh in return for acquiescing in our withdrawal plans but this problem can only be tackled when it is met.)

5. New Delhi — Your comments on the advisability of course of action which we are considering will be welcome.

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699. DEA/50052-C-40

Le commissaire de la Commission internationale de surveillance pour le Cambodge au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Cambodia, to Secretary of State for External Affairs

TELEGRAM 73 Phnom Penh, March 27, 1956

SECRET. IMMEDIATE.
Reference: Your tel Y52 Mar 20.
Repeat London No. 20; New Delhi No. 37.
By bag Paris.

FUTURE OF THE INTERNATIONAL COMMISSION IN CAMBODIA

1. As requested in your telegram under reference I am submitting herewith a first draft of the resolution which, if you approve, I would introduce in the Commission. I agree with you that it would be useful to have this introduced before Molotov and Lloyd meet in London in April. Indeed, I would like to have it introduced soon enough that the interested Communist countries could have studied it in time for a possible decision during April.

2. I look forward to your suggestions for improvements in the draft. My approach would be to treat all the preambles as expendable, and I would propose that we be very flexible in dropping, amending, or even adding to them, providing no dangerous interpretation of Cambodia's obligations or actions is thereby given. If we end up from the negotiations with nothing left but paragraph 13, that will be all right with me, I have always found 13 a lucky number.

3. Text begins:

The International Commission for Supervision and Control in Cambodia,

1. *Recalling* that it was established by the terms of the Cease-Fire Agreement signed at Geneva on July 20, 1954 by representatives of the Royal Government of Cambodia and of the Democratic Republic of Vietnam, for the purpose of supervising the execution by the parties of the provisions of the Agreement; and

2. *Recognizing* that the Royal Government of Cambodia has attained complete and effective sovereignty over the whole of its national territory, and has established conditions of political and social stability; and

3. *Recognizing* that with the Cambodian general election held on September 11, 1955 the political settlement foreseen in Article 6 of the Geneva Agreement, has been completed, and that the Royal Government of Cambodia is pursuing a broad policy of national reconciliation; and

4. *Recognizing* that foreign forces have long since been withdrawn, the prisoners of war have been released, and in general that both parties to the Agreement have faithfully honoured their obligations thereunder; and

5. *Recognizing* that the defence programme of the Royal Government of Cambodia is exclusively for the purpose of the effective defence of the territory, and that the defence forces and policies of Cambodia are not such as could constitute any threat to her neighbours; and

6. *Confident* that the Royal Government of Cambodia will continue not to join in any agreement with other states, if this agreement carries for Cambodia the obligation to enter into a military alliance not in conformity with the principles of the Charter of the United Nations, or, as long as its security is not threatened, the obligation to establish bases on Cambodian territory for the military forces of foreign powers; and that pending a settlement of political problems in Vietnam, the Royal Government of Cambodia will continue not to solicit foreign aid in war material, personnel or instructors except for the purpose of the effective defence of the territory;

7. *Considering* that Cambodia has recently become a member of the United Nations and has solemnly assumed all the obligations of the United Nations Charter;

8. *Noting* that the Commission decisions on the progressive reduction of its activities, as foreseen in Article 25 of the agreement on the cessation of hostilities, have been implemented without disturbing Cambodia's steady progress toward the consolidation of the peaceful and stable conditions, and that gradual elimination of the Commission's fixed and mobile teams formerly stationed through the country has been accomplished without any loss of confidence;

9. *Considering* that it is no longer either necessary or appropriate that an International Commission continue to exercise functions of supervision and control in the Sovereign State of Cambodia;

10. *Congratulates* the Royal Government of Cambodia and the Democratic Republic of Vietnam on their faithful observance of their mutual obligations under the agreement;

11. *Thanks* the two parties to the Agreement for their co-operation with the Commission;

12. *Resolves* to dissolve itself as of April 30, 1956, and to inform the members of the Geneva Conference accordingly. Text Ends.

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700. DEA/50052-C-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Cambodge

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Cambodia

TELEGRAM Y-60 Ottawa, April 6, 1956

SECRET. IMMEDIATE.

Reference: Phnom Penh telegram No. 78 of April 5, 1956.†

Repeat London Y-535; New Delhi Y-268; Washington Y-632; Paris; Hanoi Y-119; Vientiane Y-82.

CAMBODIA — FUTURE OF INTERNATIONAL COMMISSION

We are encouraged by reports of Heppel's talks with Khim Tit and Nong Kimny and yours with Kimny. Although there is still doubtful element of Sihanouk to consider we think time has now come for Mr. Reid to present our case in Delhi and tell Indians we propose to proceed with introduction of your wind-up resolution within next few days.

2. Legal Division have studied your resolution and are in general agreement with it from a procedural point of view. They see some legal difficulties which we will outline in a following telegram† but in view of existing circumstances and in the light of over-riding political considerations they think it could be argued that Commission has properly fulfilled its duties of supervision and control of Cease-Fire Agreement and that blame could not be apportioned to it for winding up operations.

3. In order to safeguard our position should we have to argue that dissolution of Commission is covered by Article 25 and is by analogy the last step in reduction of activities it may be necessary to agree to consultation with other Commissions. We would not suggest however that you raise this point in advance.

4. *Phnom Penh*: We expect to give you green light for introduction of resolution after we hear results of Mr. Reid's approach to Indian authorities.

5. *New Delhi*: Would you please take earliest opportunity to see Desai or other appropriate External Affairs officials outlining our plans as indicated above and using arguments contained in earlier telegrams on this subject. As we would like you to try to enlist Indian support for co-sponsorship, you may show them draft resolution. You may wish to indicate to Indian government general results of Smith's talk with Kimny without going into specific details. If Indians should bring up closing of Svay Rieng team as possible alternative to immediate wind-up of Commission you should indicate that, while we hope for early elimination of team, our firm and foremost objective is early withdrawal of Commission.

6. *London*: Please inform Foreign Office.

7. *Vientiane and Hanoi*: In view of Paragraph 3 above you may receive word from Phnom Penh Commission of its intention to dissolve itself. If such word is received we hope you will do all possible to ensure that your Commission does not object to wind-up action we are proposing.

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701. DEA/50052-C-40

Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures

High Commissioner in India
to Secretary of State for External Affairs

TELEGRAM 258 New Delhi, April 11, 1956

SECRET. IMMEDIATE.
Repeat Phnom Penh No. 7 (Immediate).

CAMBODIA — DISSOLUTION OF THE COMMISSION

I saw Desai, the Commonwealth Secretary, on April 11 and gave him an informal memorandum on our reasons for believing that the Commission should be dissolved as soon as possible. These reasons are those set forth in paragraph 2 of your telegram Y221 of March

20. I also gave him the text of the draft resolution set forth in telegram 73 of March 27 from Arnold Smith, and expressed the hope that India might co-sponsor.

2. Desai said he could not give me a final reply until he had talked to Krishna Menon who is expected here in a couple of days. I emphasized that you had said to Menon that we had no intention of staying in Cambodia beyond this spring.[67] My impression is that Desai had not received an adequate report of your conversation with Menon and that he therefore could not commit himself until he had talked to Menon. Desai's own immediate reaction was as follows.

3. There is no hope of the Commission being dissolved in April. The earliest date at which dissolution could take place is the beginning of July. (He did not elaborate on his reasons for choosing this date. I explained we did not like July.) His information is that the Cambodian government is not prepared to request the withdrawal of the Commission until after it has learned of the results of the discussions in London between the two Co-Chairmen. Desai believes that the matter should be held over until those discussions have taken place.

4. His own personal opinion is that it would be better for the Canadian Commissioner in Cambodia not to give the impression of urgency about dissolution, an impression which, according to Desai, he has been giving since early January. This impression of urgency arouses the suspicions of the Pole. It is important not to confirm the Pole in his suspicion that Canada wants the Commission to get out of Cambodia in order to make Cambodia more susceptible to pressure from the United States exerted through South Vietnam and Thailand. (As you know, Mr. Nehru has publicly expressed sympathy with Sihanouk on his resignation).

5. At first Desai said that the procedure we suggested was the reverse of the right order, i.e. the first step, in his opinion, would be to secure the approval of the Co-Chairman for the dissolution of the Commission. I took him up on this and he later qualified his remarks to say that the Co-Chairman would have the right "to request" the Commission to continue in existence. (My own view which I did not give to Desai is that this whole question is academic. Our line is that the dissolution of the Commission requires the concurrence of India, Poland, Canada, North Vietnam and Cambodia. Is it likely that these five powers will agree on something that the U.K. and the Soviet Union would oppose? What difference is it, therefore, likely to make whether the Co-Chairmen are informed or asked to approve?)

6. Desai again mentioned a point which he has made on other occasions that our Commissioner in Cambodia should not feel that it is necessary for him to remain in Cambodia until the Commission is dissolved. Desai's view is that the tasks of the Commission are so slight our Commissioner could well withdraw leaving a very junior person in charge.

7. In my opinion our chances of carrying the Indians with us if Arnold Smith now presents our draft resolution would be poor. I suggest he should postpone it at least until Desai has had a chance to talk to Krishna Menon.

8. Since preparing the above report I have received your telegram Y275 of April 9† summarizing the Legal Division's memorandum on the draft wind up resolution. Desai this morning contended that dissolution would be the last step in reduction and therefore under Article 25 the Commission in Cambodia would be required, before dissolution, to consult with the Commissions in Vietnam and Laos and have regard to the developments of the situation in these two countries. Desai also mentioned the wording of Article 24 as illus-

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[67] Voir/See Document 631.

trating the usual Indian point that the Geneva settlement must be considered as a whole and therefore that consideration of the question of the dissolution of the Cambodian Commission should be deferred until the results of the discussions between the Co-Chairmen on Vietnam and Laos are known.

[ESCOTT] REID

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702. DEA/50052-C-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Cambodge

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Cambodia

TELEGRAM Y-74 Ottawa, April 13, 1956

SECRET. IMMEDIATE.
Reference: New Delhi telegram No. 258 of April 11, 1956.
Repeat New Delhi Y-305; London Y-597; Paris Y-377; Washington Y-698.

CAMBODIA: DISSOLUTION OF COMMISSION

We have studied arguments put forward by Desai to Mr. Reid and are still convinced that immediate tabling of resolution is best course to pursue. You are therefore authorized to table your resolution at next Commission meeting.

2. Before tabling you should give statement outlining our reasons why we think Commission's work in Cambodia is done and why Commission should leave. As courtesy measure to both Poles and Indians, and in order to allay as much as possible Polish suspicions mentioned by Desai, you should take opportunity before Commission meets to inform both your colleagues of your intention and reasons behind it and perhaps give them advance copies of resolution. In view of these suspicions you should try to avoid giving impression of too much urgency when introducing resolution.

3. We do not think it is important to wait for results of Co-Chairmen's talks as United Kingdom have not indicated that they will raise Cambodia question with Gromyko. If question does come up it might not be disadvantageous for Co-Chairmen to learn that wind-up is under active consideration by Commission.

4. As return of Krishna Menon would not, in our opinion, be likely to alter Indian position we do not think postponement should be made for this reason. Our views were clearly given to him in New York so Indians could scarcely complain that we were acting without laying our hand on the table in advance.

5. For your information we understand that United States Embassy in New Delhi has recently given Indian External Affairs a paper designed to correct unfortunate impressions which Indians appear to hold concerning United States' actions and intentions in Cambodia. Paper tells Indians that United States is solely interested in assisting Cambodia to maintain its independence. We hope this will have some success in counteracting apparent Indian belief that United States is "putting pressure" on Cambodia to align itself with the West. From your reports we would gather that Indian Chargé in Phnom Penh can share blame with Sihanouk for Indian views on this score.

6. Although wind-up as early as end of April is probably not feasible there is no reason to change this date in resolution as long as we understand that date is flexible. We still prefer to avoid July date for reasons already given.

7. If Chairman is not prepared to write to Cambodian government requesting views we think you might approach Cambodian government again after suitable interval in attempt to persuade them to write to Commission advocating withdrawal. You may also wish to inform them in advance of your plans and give them gist of resolution or possibly text if you consider this advisable.

8. *New Delhi*: You may inform Desai of our intentions to proceed with tabling of resolution and express again our hope that Indians will support it. With reference to paragraph six of your telegram under reference you should say that question of Commissioner remaining in Phnom Penh has not entered into our considerations which are based entirely on our belief that Commission should not stay on after its work has been completed. For your information we agree that method of achieving dissolution in Cambodia is largely academic. Our reason for wishing Commission to take responsibility rather than Co-Chairmen is that we wish to avoid precedent which might be used in Laos or Vietnam at later date to impose decisions of Co-Chairmen on Commissions. In other words we wish to hold to our theory that we are principals and not agents.

9. *London*: Please inform Foreign Office of our plans.

10. *Washington and Paris*: Please inform State Department and Quai d'Orsay.

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703. DEA/50052-C-40

Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures

High Commissioner in India
to Secretary of State for External Affairs

TELEGRAM 279 New Delhi, April 23, 1956

CONFIDENTIAL. IMMEDIATE.
Repeat Phnom Penh No. 10 (Immediate).

DISSOLUTION OF CAMBODIAN COMMISSION

Krishna Menon asked me to call on him this afternoon April 23. He had Desai with him.

2. Menon said that his position was still that which he had expressed to you in New York. He had told you that he did not believe that the Commission could now be dissolved. Instead he had proposed the maintenance of a "token" Commission. He himself could see no objection to Canada withdrawing all its personnel from Cambodia. It could be represented on the Cambodian Commission by one of its officers in Saigon who could come to Phnom Penh for the meetings of the Commission.

3. The important thing was to keep the Commission in Cambodia in existence so that it could be resurrected into activity if for example developments in Vietnam made this necessary.

4. They had received a report that Arnold Smith had proposed that a draft letter be sent to the Government of Cambodia enclosing the draft Canadian wind-up resolution and asking for Cambodia's views. He and Desai considered this as part of pressure tactics by our

Commissioner. The Indian representative could not support such a letter since Cambodia might assume that the draft resolution had the approval of the Commission. If the Canadian Commissioner wanted to get the Cambodian government's views in writing he could write the Cambodian government himself.

4. Menon gave an example of the kind of situation which would require the resurrection of a Cambodian Commission which had lapsed into a state of suspended animation. The settlement in Vietnam might break down and there might be a movement of men and supplies from North Vietnam to South Vietnam by the valley of the Mekong to Krati.

5. Menon committed himself to the extreme statement that all three Commissions had to remain in existence — even if the existence were a token existence — until all were dissolved.

6. He also contended that no Commission could be dissolved without the consent not only of India, Poland and Canada but also of the signatories to the Armistice Agreement and the Co-Chairmen. I said that we agreed except insofar as he referred to the consent of the Co-Chairmen and I made an argument based on Article 25 of the Cambodian Agreement. He constantly referred to our proposal to dissolve the Cambodian Commission as constituting a "breach of" the Geneva Agreement. I of course insisted that we would not have proposed the resolution if we did not consider it consistent with the Geneva Agreements.

7. The only point on which I think I was able to budge him was that he at first insisted that the Cambodian Commission could not be dissolved without the "consent" of the other two Commissions. He finally agreed that it was not consent that was required but consultation.

8. He has been annoyed by what he calls the pressure the United States is putting on in Cambodia in support of our resolution.

9. Menon has now committed himself so firmly to the position that the Commission in Cambodia must remain in existence, at least on paper until the Commission in Laos and Vietnam have finished their work, that I do not see that there is any reasonable chance of his shifting his ground.

10. He is of course encouraged by the support which the French have given to the Indian position.

11. My own tentative recommendation on the basis of the information available to me here is that you should now take up the compromise proposal which Menon made to you in New York and which he reiterated to me today that the Commission's activities be so reduced that it becomes a "token" Commission and that we withdraw (our?) personnel from Cambodia and appoint one of our officers in Saigon as acting Commissioner on the Commission in Cambodia.

12. I am afraid that we are not going to get Indian support for ending the Commission with a bang. I suggest we be content to end it with a whimper.

[ESCOTT] REID

704. DEA/50052-C-40

Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures

High Commissioner in India
to Secretary of State for External Affairs

TELEGRAM INCHIN-305 New Delhi, May 4, 1956

SECRET. IMPORTANT.

Repeat Phnom Penh No. 11; London, Washington and Paris (Information).
By bag Hanoi, Saigon, Vientiane and Canberra, Wellington from Ottawa.

TERMINATION OF COMMISSION IN CAMBODIA

We can legitimately be irritated with Krishna Menon for insisting that, even though the Cambodian Commission has nothing to do, it should remain in existence. It is particularly irritating for if it had not been for him the Indians might well have agreed to the dissolution of the Commission. This must be particularly galling to Arnold Smith with whom I sympathize greatly.

2. Desai asked me to call on him yesterday May 3. He said that they had received a report from their Commissioner in Cambodia about statements which Smith is alleged to have made to the Indian Chargé d'Affaires which have irritated them, especially Krishna Menon. The Indians claim that Smith asserted to the Indian Chargé that India had been responsible for putting Sihanouk up to making a statement at his press conference about wanting the Commission to continue in existence. The Chargé also reports that Smith said that if we did not get our way we would pull out of the Commission unilaterally. Desai said to me that he did not think this language was appropriate for use between "Commonwealth cousins". He also asked me outright, on instructions from Krishna Menon, whether Smith's threat was a statement of Canadian government policy.

3. I said that I had received no instructions from Ottawa since I had reported my conversation of April 23 with Krishna Menon. I reminded him of Mr. Pearson's determination not to have any Canadians left in Cambodia. Desai said this was quite different from threatening to leave the Commission since we could remain as members of the Commission even though our Commissioner resided in Saigon.

4. Desai also elaborated his own personal views on the curtailment of the Commission's activities in Cambodia. He said that India would have to keep some people in Cambodia since India was responsible for communications facilities for the Commission as long as it remained even technically in existence. It would also, he thought, be necessary to have two teams each composed of three people. It would not, however be necessary for all these six people to be physically present in Cambodia. Our members of the team might, for example live in Vietnam. He said the point was that since the reason for keeping the Commission in suspended animation was that it might be needed in an emergency, it would be necessary to have teams available for use in an emergency. He did not think it proper that the head of the Indian delegation in Cambodia should also head the Commission. Consequently India would keep a Chairman of the Commission in Cambodia though he might be a relatively junior officer.

[ESCOTT] REID

705.

DEA/50052-C-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL

[Ottawa], May 11, 1956

CAMBODIA: DISSOLUTION OF THE COMMISSION

You will recall that in your talk with the French Ambassador in Ottawa on April 26, just before your departure for Europe, you said that, as an interim measure to avoid the possibility of complicating the problems facing the Vietnam Commission, we might be willing to participate in a token Commission in Phnom Penh. You suggested that one of the other Commissioners in Indochina might serve also as Commissioner for Cambodia, with an officer of more junior rank remaining in Phnom Penh.

2. Since April 26 there have been several new developments concerning the Cambodian dissolution question which will make it necessary to send further instructions to Arnold Smith and also to our missions in New Delhi and Paris. Before deciding on what form the new instructions should take we thought the following outline of where we, and the other interested countries now stand on the dissolution question might be helpful:

(a) *Canadian position*: Our resolution calling for complete dissolution has been introduced in the Cambodian Commission accompanied by a firm statement that we consider the Cambodians have discharged their responsibilities under the Cease-Fire Agreement. The resolution calls for dissolution on May 15th but Smith has indicated that this date is flexible and he has not been pushing for early passage pending further instructions from us.

(b) *Cambodian Position*: Encouraged by Khim Tit and Nong Kimny, the Cambodian Prime Minister and Foreign Minister, who indicated agreement in principle with our dissolution plan, Smith recently called on Prince Sihanouk who said he would probably also go along with it. The next day, however, Sihanouk, after a subsequent visit from Mitra, the Indian Chargé d'Affaires in Cambodia, issued a statement to the press that he wanted the Commission to remain to be "a witness in case of eventual aggression". Sihanouk also said that "enquiry on the spot by mobile teams of the International Commission can establish facts better than enquiry afterwards by the United Nations. Poor little friendless Cambodia might be branded an aggressor and made a victim of sanctions. It would not be sportsmanlike for the Commission (to withdraw) at this juncture". This is a clear indication that Sihanouk, who lately has been obsessed with the idea that the United States and Cambodia's neighbours are trying to put pressure on Cambodia to abandon its "neutrality", wishes to use the Commission for purposes which lie entirely outside its terms of reference. Probably to give some backing to his statement, the Commission received, on the same day, a complaint from the Cambodian government that South Vietnamese troops had invaded Cambodia. Smith was able to stall the Commission from taking action on the complaint but it is not certain we will always be successful in this and if Sihanouk has his way and unless the Indians change their attitude, the Commission may well become involved in Cambodia's disputes with South Vietnam and possibly even Thailand. There is, of course, the possibility that Sihanouk may be using the wind-up question as another excuse for indulging in a display of self-pity, but in any event the reasons he gives in support of the

Commission remaining give additional emphasis to our reasons for wishing to get out as soon as possible.[68]

(c) *Indian Position*: Until Krishna Menon recently returned to New Delhi we had every reason to believe that the Indians would support our resolution for an early dissolution. Both Parthasarathi and Desai had agreed that our reasons were convincing and it is apparently only Menon's arbitrary view that all three Commissions must remain in being so long as any one does that is holding the Indians back. While Menon's view has no legal justification it may well be based on his anxiety to keep Cambodia in the "neutral" camp. There is also the possibility that Indian views may be coloured by the distorted reports they are receiving from Phnom Penh, presumably from Mitra, concerning Smith's so-called "pressure" tactics. From the reports we are receiving from Phnom Penh it is apparent that the Indians regard Cambodia as in their special sphere of influence and are doing all they can to lessen United States influence in the country. This attitude on the part of the Indians, combined with Sihanouk's increasingly difficult and unpredictable behaviour, makes it more than ever necessary for us to ensure that we are not placed in a position where we might find ourselves inadvertently committed by actions taken or statements made in the name of the Commission to policies which would be in the Indian interests but could be quite contrary to United States and Western interests. Some Indians, including Mitra, the present Indian Chargé d'Affaires in Phnom Penh, try to persuade the Cambodians that Article 7 of the Cease-Fire Agreement should be interpreted as precluding Cambodia from accepting military aid from the United States. They also say that the United States Military Advisory Group should be withdrawn before Cambodia can rightfully take her place in the "neutral" bloc. We had an illustration of this Indian thinking during the Commission's MAAG discussions last year and it is apparent that the Indians have met with some success among Cambodians, and especially Sihanouk, in promoting this line.

(d) *Polish Position*: The Polish Commissioner in Phnom Penh recently told Smith that Poland will open a Legation in Cambodia within the next two or three months. The Poles have told us, as well as the Australians and British, that they have no real objection to an early dissolution of the Commission. This attitude is probably accounted for by the prospects of opening a diplomatic mission. It is unlikely, however, that the Poles would vote against the Indians if the latter remain stubborn.

(e) *United Kingdom and United States Views*: The United Kingdom and the United States both agree with us that an early withdrawal is desirable; the United Kingdom has said so to the Cambodian government, but contrary to Krishna Menon's allegations, the United States had not made its views known to the Cambodians. The Foreign Office has expressed the hope to us that whatever alternative arrangement we might make will not leave the field in Cambodia entirely to the Poles and Indians.

(f) *French Position*: Now that Lord Reading and Gromyko have agreed on the texts of messages to the French, the two governments in Vietnam and the International Commission there is a reasonable chance that at least a temporary basis for the Vietnam Commission to carry on has been found.[69] The messages do not dispose of all the problems raised by the Vietnam Commission in its communications to the Co-Chairmen, but the Co-Chairmen's request to the French government for assistance could provide a means for enabling the Commission to carry on providing, of course, that the Indians do not raise further legal difficulties. The French do not disagree with our general position that the Commission in Cambodia should cease to exist; but were worried about our timing of the dissolution. Now that there is a good chance that the Vietnam Commission will continue its work the French will become reconciled to the idea of an early dissolution in Cambodia.

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[68] Note marginale :/Marginal Note:

I agree [L.B. Pearson]

[69] Voir/See United Kingdom, Parliamentary Papers, Cmd. 9763, *Vietnam and the Geneva Agreements*, London: Her Majesty's Stationery Office, 1956, Documents 4-6, pp. 10-12.

3. In view of the situation outlined above, and the additional points made in the attached telegrams which have been prepared for your signature if you concur, we could, if you considered it necessary or desirable, take a very firm line in the Cambodian Commission for immediate dissolution on legal, moral and practical ground and could even develop a strong case for our unilateral withdrawal. Because of the somewhat strained atmosphere which has developed between ourselves and the Indians over the Cambodian issue; because of French worries and also because of the degree of uncertainty surrounding the futures of the Vietnamese and Laotian Commissions we think it would be preferable, however, to try the less drastic course suggested in the attached two telegrams. This would mean that:

(a) We would have to plan to maintain our Delegation in Cambodia at pretty well the same strength as it is now for a further period (2 External and 6 Army officers). The Indians have told Escott Reid that they think two teams with three men on each should remain and this, with headquarters staff, would make further personnel reductions difficult.[70]

(b) Our resolution would not be withdrawn and Smith would say in the Commission that our opinion has not changed but that, because we seem unable to reach agreement with the other delegations at this stage, we are not pressing for its immediate adoption but would hope that his colleagues would continue to give consideration to our views and that we may resurrect our resolution in the light of events during the next two or three months.

(c) We would have to find an experienced officer of about FSO-4 or 5 rank perhaps drawn from our Vietnam Delegation to serve as Acting Commissioner when Smith leaves. It would be difficult for Williams, who will only have the rank of Acting Commissioner himself, or Bridle to devote any attention to Cambodia as the complicated and delicate problems facing the Commissions in both Vietnam and Laos keep them very fully occupied. The Indians have said they do not think it would be proper for them to have the head of the Indian legation in Phnom Penh serve also as head of the Commission. Consequently they would keep a chairman of the Commission in Cambodia although he might be a relatively junior officer. Such an arrangement would most probably still leave the head of the Indian legation responsible in fact, if not in name, for the Commission. If he should be a trouble-maker like the present incumbent, Mitra, we would be taking risks if our representative was weak or lacked experience.

(d) Our approach to the Indians in New Delhi would be on a friendly informal basis designed to smooth ruffled feathers but at the same time making our position on the wind-up question clear and correcting erroneous impressions concerning Smith's operations in Phnom Penh.[71]

(e) Our approach to the French could also be on an informal basis as outlined in the attached telegrams.

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[70] Note marginale :/Marginal Note:
Surely we don't have to go along with two teams and 2 External officers [L.B. Pearson]

[71] Note marginale :/Marginal Note:
We have no reason to be apologetic with them! quite the contrary [L.B. Pearson]

4. One possible way of solving the Commissioner question, mentioned in 3 (c) above, would be the opening of a Canadian legation in Cambodia with perhaps the Ambassador in Djakarta as Minister and a resident Chargé d'Affaires in Phnom Penh.[72] Smith has received several informal feelers from the Cambodian government about a diplomatic exchange between Cambodia and Canada but has so far managed to evade the issue. In view of the higher priorities for opening in other South East Asia countries, such as Burma and Malaya, we would have to examine very carefully the various implications before any decision was taken to open in Phnom Penh. It is probably time, however, that we contemplated having some sort of diplomatic representation to the various Indochina Governments after our Commissions are withdrawn because:

(a) There is a political job to be done by good Western diplomats if this area, and especially Cambodia, is to be successfully kept out of the Communist bloc;

(b) In an area where Western representation is thin Canada would be in a position to capitalize on the influence and good will built up by our participation in the Supervisory Commissions;

(c) With representation we might be able to retain the weight which should be attached to Canadian views on this potentially critical area, in case they ever need to be expressed in Washington or London, on issues affecting international peace;

(d) Diplomatic missions would give us a needed diplomatic channel for Colombo Plan activities if these are to be continued.

R.M. M[ACDONNELL]
for Under-Secretary of State
for External Affairs

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706. DEA/50052-C-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Inde

Secretary of State for External Affairs
to High Commissioner in India

TELEGRAM Y-389 Ottawa, May 14, 1956

CONFIDENTIAL. IMMEDIATE.

Repeat Paris Y-489; Phnom Penh Y-89; London Y-768; Washington Y-894; Vientiane and Hanoi (Information).

CAMBODIA — DISSOLUTION OF COMMISSION

Because of Indian and French opposition to our plan for early dissolution of the Cambodian Commission and because of Sihanouk's recent statements to the press that he would like the Commission to remain (for reasons we cannot accept) we have been having a close look at where we go from here. There would seem to be two paths left open to us:

(a) To take a very firm line in the Commission for immediate dissolution. This course could be well defended on legal and moral grounds and we could even develop a strong case for our unilateral withdrawal. It is most unlikely, however, given the present mood of the Indians, French and Sihanouk, that we would emerge from such a course of action without seriously upsetting the Indians, and to a lesser degree the French. To achieve our ends we would probably have to eventually resort to the extreme step of unilateral withdrawal and this would certainly do considerable damage to Canadian-Indian relations. It might also provide a precedent for similar action by the Indians or Poles in Laos or Vietnam which could be unfortunate. Another result which would not be helpful to Western interests might be that the field in Cambodia would be left open to the Poles and Indians.

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[72] Note marginale :/Marginal Note:
I don't like this very much! L.B. P[earson]

(b) The second path we might follow would be to accept the necessity of keeping the Commission going for a further interim period during which we could concentrate on smoothing the Indians' ruffled feathers and trying to convince them, and the French and Cambodians, that our withdrawal plan is fair and logical and should be adopted as early as possible. Our chances of success in this are not easily predicted but rather than risk the consequences which would undoubtedly arise from pursuit of the policy outlined in (a) above I think we should adopt this less drastic course. If it proves unrewarding we may then have to examine again, after a reasonable interval of time, our other alternative.

2. *Phnom Penh*: We will now have to plan to maintain our Commission in Cambodia at pretty well the same strength as it is now for a further period. The Indian view that two teams with three men on each should remain means, if we add headquarters staff, that further personnel reductions will be difficult. You should take an early opportunity to make a statement in the Commission along the following lines:

(a) Our views remain unchanged and we are leaving our resolution on the table.

(b) Because we seem unable to get the agreement of the other delegations at this stage, we will not press for its immediate adoption.

(c) It is our hope, however, that your colleagues will continue to give careful consideration to our views and that they may soon be convinced of their reasonableness.

(d) We may, in the light of events during the next two or three months, resurrect our resolution and call for a decision.

(e) We will not, at this time, press for a decision on the sending of a letter to the Cambodian Government seeking its views on dissolution. As in the case of the resolution we reserve the right to resurrect the question and call for a decision at any time we think events have reached the point when such a decision must be reached.

3. *New Delhi*: If you see no serious objection, would you please arrange another interview with Desai or Menon (we will leave the choice to you) and present our views along the lines contained in our immediately following telegram. I think it would be helpful also to leave an aide-mémoire outlining our views. Although you will be able to judge best how firm you should be I think an informal approach somewhat on the "old boy" basis would be preferable. You might say that we regret that some misunderstandings seem to have arisen in Phnom Penh and that we hope this situation, which is after all not too serious, won't serve to cloud the more serious issues involved. We do not know how or why certain reports concerning Smith's alleged "pressure tactics" have reached New Delhi but we wouldn't like to think they would disturb our valued friendship with India. We note from your telegram 315 of May 9† that you have already taken an opportunity to straighten out the record concerning the allegations about Smith. When you call again you might also say that at no time have we asked the United States to speak in support of our resolution and that in fact the State Department have told us that they have not done so nor do they have any intention of doing so unless the Cambodian government seeks their views. (The State Department and Foreign Office have both indicated agreement with our withdrawal plan

but it was only the British Ambassador who, at our request spoke to the Cambodian government to this effect).

4. Smith's telegrams will provide you with information on any additional points which you think might usefully be made. For instance you might also say that we were surprised at a recent Agence France Presse report that "according to Indian sources the Cambodian Commission is to be dissolved on April 28"; especially as we understand that Mitra told Smith he had originated this report but had actually referred to the Vietnam Commission and had been misunderstood. We find it a trifle difficult to understand just why Mitra should make a statement of this nature to the press concerning any of the Commissions.

5. *Paris Embassy*: If you see no serious objections would you please take an early opportunity to call at the Quai d'Orsay giving our views as outlined in our immediately following telegram and leaving an aide-mémoire. You should say that we fully understand, although we cannot fully appreciate, French fears concerning dissolution of the Cambodian Commission and that, as I recently told the French Ambassador in Ottawa, we do not intend to make any precipitate moves which might adversely affect the future of the other two Commissions. Although our resolution will not be withdrawn we will not press for its early passage and will be continuing our representation on the Cambodian Commission for an indefinite period. We hope the French will keep our arguments under review and, now that Lord Reading and Gromyko have agreed on the texts of messages to the French, to the two governments in Vietnam and to the International Commission, which promises a reasonable chance that at least a temporary basis has been found on which the Vietnam Commission can continue to operate, the Quai d'Orsay may be more inclined to accept dissolution if, within the next two or three months, we find it opportune to resurrect the resolution. You may assure the French that we will keep them fully informed of any future moves we may make concerning the withdrawal question and we will always welcome and give consideration to their views.

6. *London and Washington*: Please pass this and my immediately following telegram to the CRO, Foreign Office and State Department.

[L.B.] PEARSON

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707. DEA/50052-C-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Inde

Secretary of State for External Affairs
to High Commissioner in India

TELEGRAM Y-390 Ottawa, May 14, 1956

CONFIDENTIAL. IMMEDIATE.

Repeat Paris Y-490; Phnom Penh Y-90; London Y-769; Washington Y-895; Vientiane, Hanoi (Information).

CAMBODIA — DISSOLUTION OF COMMISSION

We do not wish to let our different points of view on the question of dissolution of the Cambodian Commission degenerate into a quarrel between us and the Indians which could only be harmful to our mutual friendly relations. We are convinced that our basic objectives are the same:

(a) to act in the best interests of the preservation of peace in South East Asia and

(b) at the same time act in the best interest of Cambodia.

2. We think, therefore, that you should, in accordance with my immediately preceding telegram, present our views to the Indians and French along the following lines:

(a) We cannot subscribe to the Indian theory that our proposal constitutes "a breach of" the Geneva Agreements. (It might even be noted that it would be difficult for us to "breach" an agreement we have not signed.) We have not taken decision to seek a dissolution of the Cambodian Commission lightly or without a thorough study of all the implications, both legal and practical, as we see them. In introducing our "wind-up" resolution we were prompted by our desire to act in what we consider the best interest of Cambodia with whom we have developed, through our participation on the Commission, friendly and we hope lasting ties.

(b) Before preparing our resolution we had every reason to believe that the Indian representatives in Indochina were in substantial agreement with our view that an early dissolution was desirable. Parthasarathi, in his conversations with Smith, has consistently taken the line that the Cambodian Commission would wind-up separately and that anything else would be most unfair to Cambodia. Parthasarathi gave this assurance as early as August 1955 and has reasserted it as recently as April 19 in a letter to Smith in which he said "I think we are in general agreement" and that "we should consider the question about the 15th of May". He had previously promised a decision in early May. Major General Kirpal, when Indian Commissioner in Cambodia, put in writing to Smith and the Polish Commissioner on January 7 that the Cambodian Commission should be wound up at the latest by July 1st, if indeed an earlier wind-up did not appear feasible, and that the actual timing was to be considered in April. Both the Polish Commissioner and Smith replied in writing as accepting the principles of early discussion of dissolution, irrespective of maintenance of other two Commissions. The new Indian approach to the question, therefore, understandably came as a surprise to us in view of our earlier understanding that they were prepared to go along with the withdrawal plan. If either side, therefore, has any cause for complaint it is ours.

(c) Our effort during our term on the Cambodian Commission have consistently been joined with the Indian and Polish delegations towards establishment of a free and stable Cambodian Kingdom ready to assume its place in the family of nations in keeping with the future envisaged for it at the Geneva Conference. The Commission officially recognized in the Fourth Interim Report that Cambodia has fulfilled its main obligations (including those in Article 6) under the Geneva Agreement and we find it hard to interpret a suggestion that the Kingdom's future be tied to that of Vietnam and Laos, where unfortunately the implementation of the Geneva Agreement has not met with the same success, as being in Cambodia's best interests. Indeed we think it would be quite unfair to penalize Cambodia because the two parties to the Vietnam Agreement have not yet been able to agree on its implementation.

(d) The continued presence of a Commission composed entirely of foreigners, no matter how well disposed they might be towards the Cambodians, in itself implies a limitation on Cambodia's sovereignty; especially when the major tasks for which the Commission was formed have been completed. We are opposed to the Commission taking on new tasks beyond those assigned to it under the Cease-Fire Agreement; nor do we think that it is healthy for Cambodia, as a sovereign nation, to rely on a Commission, set up for an entirely different purpose, to regulate its affairs with its neighbours. Sihanouk's recent press statements indicate that Cambodia's desire to have the Commission remain springs from a hope that the Commission will involve itself in matters which lie entirely outside its terms of reference. We do not intend to support this position or investigations by the Commission into complaints of alleged incidents which are clearly outside its jurisdiction. We hope that Sihanouk will soon be persuaded to see merit in our withdrawal plan. Both Khim Tit and Nong Kimny have indicated agreement in principle with it.

(e) We share the Indian concern about a possible breakdown of the Vietnam settlement but think that our combined efforts to reach some satisfactory solution of the problem there are meeting with some success and that the grave situation envisaged by Menon will not come about. We are doubtful, however, if insisting on relating Cambodia's future as a nation with that of Vietnam would be helpful to the former should such a sorry state of events come to pass. It would seem to us that Cambodia would stand a much better chance of avoiding involvement in any possible Vietnamese internal disputes if it had been clearly recognized that its obligations under the Geneva settlement had been fulfilled and its concern with Vietnamese problems were only those which any independent nation might have towards the affairs of a neighbouring state. We should not like to think that either party in Vietnam would take so grave a step as invading one of its neighbours; but we cannot think that a Commission in Cambodia would be effective in stopping such an invasion should it unhappily occur. The only way Vietminh troops could enter Cambodia would be via South Vietnam or Laos where it is assumed that the International Commissions in those countries would take whatever action they considered appropriate. If Cambodia should be invaded or has reason to fear external threats it is open to it to appeal to the United Nations. If the Democratic Republic of Vietnam, which after all signed the Agreement with Cambodia, is willing to agree that Cambodia has fulfilled its obligations under the Agreement this should help ensure against the possible situation Menon envisages.

(f) It is our understanding that at Geneva the Cambodian representatives insisted on separate agreements for the three Indochina countries. Their insistence on signing their own Agreement, which was agreed to by the Conference, also indicated that Cambodia wished to pursue its course independent of Vietnam and Laos. We realize that as long as the French were in a position of some authority there was naturally an interrelationship between the problems of the three but now that the position has changed and Cambodia and Laos have entered the United Nations as independent Kingdoms there can be little excuse for insisting on continuing this interrelationship, to the detriment of Cambodia. The Geneva Agreements themselves do not provide for more than "consultations" between the three Commissions and we do not think it either unreasonable or inconsistent that one of the Commissions should decide to dissolve itself, in consultation with the others, if its work is done. Neither do we think that this should affect the continuing work of the other Commissions.

(g) Now that Lord Reading and Mr. Gromyko have agreed on the text of messages to the French, the two governments in Vietnam and the International Commission there appears to be a good chance that at least a temporary basis for the Vietnam Commission to carry on has been found. It would therefore seem to us that dissolution of the Cambodian Commission at this time would be opportune as the chances of it upsetting the Vietnam situation would be most remote.

3. For reasons outlined above and in earlier telegrams we tabled, in good faith, our resolution for an early dissolution of the Cambodian Commission and we therefore thought it only reasonable that the Cambodian Government should be asked by the Commission for its views. We did not think there should be any misunderstanding by the Cambodians concerning the status of a resolution which was still under consideration by the Commission. When these had been obtained it would, of course, have been proper to ask the DRVN, as

the other signatory of the Cease-Fire Agreement, for its views. As it is apparent, however, that at this time we cannot get agreement for our dissolution plan in the Commission we have instructed our Commissioner in Phnom Penh to make a statement in the Commission explaining our position. (Paragraph 2 of our immediately preceding telegram)

4. As I indicated to Menon in New York we hoped to be able to withdraw all Canadian personnel from Cambodia this spring. Because the Indians and Poles will be continuing to have personnel serving on the Commission in Phnom Penh and because the pressure of their work and responsibility would make it difficult for either of our other Commissioners to devote adequate attention to Cambodia at this time, we have decided to continue to staff our Delegation in Phnom Penh although probably at reduced strength, for a short time.

5. Points (f) and (g) in paragraph 2 above which would appeal more to India would have to be modified in the aide-mémoire left with the French.

6. We will be interested in having your impressions on how the Indians and French, and in the case of Phnom Penh the Poles, react to our revised approach.

[L.B.] PEARSON

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708. DEA/50052-C-40

Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures

High Commissioner in India
to Secretary of State for External Affairs

TELEGRAM INCHIN-332 New Delhi, May 23, 1956

CONFIDENTIAL

Reference: McGaughey's tel 328 May 17.†

Repeat Phnom Penh 15; Hanoi 21; London, Paris, Washington (Information).

By bag Vientiane, Saigon and Canberra, Wellington from Ottawa.

CAMBODIA — DISSOLUTION OF COMMISSION

I saw Desai on the afternoon of May 21 and spoke to him along the lines of the most helpful paragraphs 3 and 4 of your telegram Y389 of May 14. I think this helped to smooth ruffled feathers. His only direct comment was on my statement that the State Department had told us that the United States does not intend to speak in support of our resolution unless the Cambodian Government seeks its views. He said he thought the USA Ambassador in Cambodia might well have acted without instructions from the State Department.

2. He politely refused to be drawn on the informal memorandum which McGaughey had left with Jha on your telegram Y390 of May 14. All he said was that the part he had found of greatest interest was that summarizing the instructions to our commissioner in Phnom Penh on the statement he should make.

3. My impression is that Desai's view is that now we have given the Indians an informal memorandum which sets forth the background of our resolution (with?) the arguments for it clearly and in detail, no useful purpose would be served by going into the differences which have arisen in Phnom Penh.

4. I [may] find Krishna Menon in a more argumentative mood when I next see him but unless he raises the question I shall be content to let sleeping dogs lie.

[ESCOTT] REID

709. DEA/50052-C-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], December 21, 1956

TALKS WITH MR. NEHRU: DISSOLUTION OF THE CAMBODIAN COMMISSION

In my memorandum of December 4† I suggested, and you agreed, that instead of taking up the question of the future of the Cambodian Commission with Mr. Krishna Menon in New York, you would discuss the matter with Mr. Nehru during his visit to Ottawa.[73] You also agreed that, because the field to be covered in the talks with Mr. Nehru is rather wide, you would leave with him an *aide mémoire*, which would review in more detail than might be possible during the talks, our earlier arguments in favour of dissolution and give our reasons for reopening the question at this time. Because we are not planning to leave any other papers with Mr. Nehru during his visit here I am inclined to think that, in place of the *aide mémoire* it might be more appropriate to substitute a memorandum which I could hand to Mr. Pillai instead of you giving it to Mr. Nehru. Attached for your information is a copy of the memorandum which I propose, subject to your agreement, to give to Mr. Pillai.

2. The memorandum outlines in some detail our reasons, both new and old, for wishing to wind up the Cambodian Commission as soon as possible. When you are talking to Mr. Nehru you might wish to mention that I will be leaving this paper with Mr. Pillai and that we will be asking our High Commissioner in New Delhi to give a copy to the Indian External Affairs Department and our Acting Commissioner in Phnom Penh to give a copy to his Indian colleague. During the conversation you might wish to stress the following points which are contained in the memorandum:

(a) We continue to think that the reasons which prompted us to call for dissolution of the Commission last May are valid.

(b) The Commission has had no major tasks and very few minor ones, none of which have been important enough to warrant its continued existence, since last May.

(c) There has been general recognition, not only by the Commission in its Fourth Interim Report in October, 1955, but on many other occasions by the Cambodian Government and other leaders of countries directly interested in the Cambodian settlement, that the Cambodian Government has completely fulfilled the terms of the Cease-Fire Agreement.

(d) There has been a general easing of tensions between Cambodia and its neighbouring states which, although not of direct concern to the Commission provides less excuse for the Cambodian Government wishing the Commission to remain.

(e) We think it important, especially at this time, to provide an illustration that international operations of this kind, in which both Canada and India have participated and in which we might be called upon to take part again, can be officially concluded when the task involved has been completed. There is some justifiable feeling on the part of Canadians that once we get into a temporary international body of this kind it tends to become more and more permanent. We think it would be useful, therefore, to be able to point to an

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[73] Pour un rapport des entretiens entre Pearson et Nehru, voir volume 22, document 692.
For a report on Pearson's talks with Nehru, see Volume 22, Document 692.

International Commission which has successfully accomplished the work assigned to it and has then been dissolved without attempting to perpetuate itself.

3. During a recent discussion with Mr. Reid in New Delhi concerning the three Indochina Commissions, Mr. Desai, who is head of their Commonwealth Division, said that he thought the Commissions in both Cambodia and Laos should remain in being until the Commission in Vietnam is dissolved. We feel quite strongly, and I am sure you will agree, that the futures of the three Commissions should not now be interrelated. The agreements themselves do not call for more than consultations between the three Commissions and we think it reasonable and consistent that one of the Commissions should decide to dissolve itself in consultation with the others when its work is done.

4. You might also like to inform Mr. Nehru that for these reasons we think the time has now come to resurrect our dissolution resolution which we introduced in the Commission last May and we plan to instruct our Acting Commissioner in Phnom Penh to call for a vote on it early in the New Year. When he takes this action we would like him to have the agreement and support of his Indian and Polish colleagues. (We have reason to believe that the Poles will not oppose withdrawal of the Commission if the Indians agree to it.) We would be grateful, therefore, if the Indian Government would give very careful consideration to the arguments outlined in the Memorandum which we are leaving with Mr. Pillai and would be kind enough to indicate to us as soon as possible what attitude it will take when we call for the vote.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Extrait d'une note du sous-secrétaire d'État aux Affaires extérieures

Extract from Memorandum by Under-Secretary of State for External Affairs

Ottawa, December 20, 1956

More than six months have gone by since the Canadian Commissioner on the International Commission for Supervision and Control in Cambodia tabled a resolution at a Commission meeting in Phnom Penh calling for dissolution of the Commission on the grounds that the Geneva Cease-Fire Agreement for Cambodia had been satisfactorily implemented and the work of the Commission was therefore completed. Although we considered, and still consider, that we had a strong moral and legal case to back our resolution we decided not to press for its adoption at that time because of the opposition of the Indian and Cambodian Governments.

. . .

[Voici deux paragraphes basés sur le document 707, les paragraphes 2(b) et 2(c).
Here follow two paragraphs based on Document 707, paragraphs 2(b) and 2(c).]

Now that the Geneva Cease-Fire Agreement has been implemented, the continued presence of a commission, which was set up specifically to supervise the implementation, in our opinion implies a limitation on Cambodia's sovereignty which is not in keeping with its position as an independent state that has fulfilled its obligations under the Agreement. At the time when we introduced our resolution it was evident from Prince Sihanouk's press statements that Cambodia's desire to have the Commission remain sprang from a hope that the Commission would involve itself in matters which lay entirely outside its terms of reference. These matters largely involved Cambodia's relations with its neighbouring states, principally South Vietnam. We were opposed and continue to be opposed to the Commission taking on new tasks beyond those assigned to it under the Cease-Fire Agreement nor do we think it is healthy for Cambodia as a sovereign nation to rely on a Commission, set up for an entirely different purpose, to regulate its affairs with its neighbours. We have therefore never given support to any suggestions or actions which might involve the Commission in tasks which are beyond its terms of reference and we have resisted any suggestions that the Commission should take part in investigations into complaints or alleged incidents which are clearly outside its jurisdiction. Fortunately the boundary and other disputes between Cambodia and South Vietnam have subsided and there appears to be a disposition in both countries to settle the differences between them by peaceful and reasonable bilateral negotiations. Cambodia's reasons for wishing to see the Commission remain have therefore largely disappeared.

In September of this year Prince Sihanouk said publicly that, while he would like the Commission to remain, he would not raise objections if it decided to leave. A short time later, in an interview with our Acting Commissioner in Phnom Penh, Prince Sihanouk said that whilst Cambodia was "happy to have the Commission here, there would be no objection if they wish to leave". These two remarks by him would seem to us to indicate a definite switch from his earlier position and a willingness to place the onus for withdrawal on the Commission itself.

We understood, at the time our resolution was tabled, that the Indian Government's principal reason for wishing the Cambodian Commission to continue was because of its concern about a possible breakdown of the Vietnam Settlement. This breakdown has not taken place and we continue to be hopeful that our combined efforts to reach some satisfactory solution of the problems in Vietnam may meet with some success and that the situation there, while admittedly difficult, is not such that it immediately threatens the peace in the area. In any event, we are doubtful whether insisting on relating Cambodia's future as a nation with that of Vietnam would be helpful to the former. It would seem to us that Cambodia would stand a much better chance of avoiding involvement in any possible Vietnamese internal disputes if the Commission had withdrawn in clear recognition that Cambodian obligations under the Geneva Settlement had been fulfilled and its concern with Vietnamese problems were only those which any independent nation might have towards the affairs of a neighbouring state. We should like to think that neither party in Vietnam would take so grave a step as invading one of its neighbours; but we cannot think that a Commission in Cambodia would be effective in stopping such an invasion if it unhappily took place. If Cambodia should be invaded, from either North or South Vietnam or has reason to fear external threats from its neighbours it is able to appeal to the United Nations.

It is our understanding that at Geneva the Cambodian representatives insisted on separate agreements for the three Indochina countries. Their insistence on signing their own agreement, which was accepted by the Conference, also indicated that Cambodia wished to pursue its course independent of Vietnam and Laos. We realize that as long as the French were in the position of authority, there was naturally an inter-relationship between the problems of the three but now that the position has changed and Cambodia and Laos have taken their place in the family of the United Nations as independent States, there can be little excuse for insisting on continuing this inter-relationship to the detriment of Cambodia. The Geneva Agreements themselves do not provide for more than "consultations" between the three Commissions and we think it reasonable and consistent that one of the Commissions should decide to dissolve itself in consultation with the others when its work is done. We do not think that this should have any effect on the continuing work of the other Commissions.

For the reasons outlined above, we tabled in good faith our resolution for an early dissolution of the Cambodian Commission. At the same time we thought it only reasonable that the Cambodian Government should be asked by the Commission for its views. If these had been obtained we would have considered it proper to ask the Democratic Republic of Vietnam, as the other signatory of the Cease-Fire Agreement, for its views. When it became apparent, however, that we could not get Indian agreement for our dissolution plan in the commission, we instructed our Commissioner in Phnom Penh to make a statement in the Commission explaining our position along the following lines:

(a) Our views remained unchanged and we were leaving our resolution on the table.

(b) Because we seemed unable to get the agreement of the other delegations at that stage, we would not press for its immediate adoption.

(c) It would be our hope, however, that the other delegations would continue to give careful consideration to our views and that they would soon be convinced of their reasonableness.

(d) We might, in the light of events during the following months, resurrect our resolution and call for a decision.

(e) We would not at that time (in May) press for a decision on the sending of a letter to the Cambodian Government seeking its views on dissolution. As in the case of the resolution, however, we reserved the right to resurrect this question and call for a decision at any time we thought events had reached the point when such decision might be reached.

We have been giving continuous thought to this question of dissolving the Cambodian Commission and have now decided that it is time to raise it again because:

(a) It has become quite clear that the Commission in Phnom Penh has had no major tasks and very few minor ones during the last six months and none of these of enough importance to warrant its continued existence.

(b) It has been generally recognized that the Cambodian Government has completely fulfilled the terms of the Cease-Fire Agreement. The Cambodian Government itself recognized this in a letter to the Commission in August which read in part: "All the obligations imposed by the Geneva Agreements having been fulfilled by Cambodia, it is to be presumed that the International Commission will put an end to its Mission there shortly".

(c) Prince Sihanouk, during his visits to several countries earlier in the year mentioned on several occasions that he considered that Cambodia had fulfilled its obligations under the Cease-Fire Agreement. For instance, the third last paragraph of the text of the communiqué issued by Mr. Bulganin and Prince Sihanouk during the latter's recent visit to Moscow stipulates that the execution by Cambodia of the provisions of the Cease-Fire Agreement had been noted.

(d) The attitude of the North Vietnam press and radio would lead us to believe that there would not be opposition to withdrawal of the Commission from this source. The Government of the DRVN appears to recognize that Cambodia has fulfilled her obligations as a signatory of the Geneva Agreement and has chosen the path of "independence and peaceful co-existence".

(e) There has been a general easing of tensions between Cambodia and its neighbours which, although not of direct concern to the Commission, provides less excuse for the Cambodian Government wishing the Commission to remain.

In addition to these reasons, which complement our earlier reasons, we think it important, particularly at this time, to be able to provide an illustration that international operations of this kind, in which both Canada and India have participated and in which we might be called upon to take part again, can be officially concluded when the task involved has been completed. There is some justifiable feeling on the part of Canadians that once we get into a temporary international body of this kind it tends to become more and more permanent. We think it would be useful, therefore, to be able to point to an International Commission which has successfully accomplished the work assigned to it and has then been dissolved without attempting to perpetuate itself.

Because of these reasons we are proposing to instruct our Commissioner in Phnom Penh to ask for a vote on the dissolution resolution early in the New Year. In doing so, however, we would like to have Indian agreement and support. We would be grateful, therefore, if the Indian Government would give very careful consideration to the arguments we have presented and would be kind enough to indicate to us as soon as possible what attitude it will take when we call for the vote.

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710. DEA/50052-C-40

Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures

High Commissioner in India
to Secretary of State for External Affairs

TELEGRAM 50 New Delhi, February 7, 1957

CONFIDENTIAL

Reference: My tel 22 Jan 18.†

DISSOLUTION OF CAMBODIAN COMMISSION

At Desai's request I called on him on February 6 to receive the Indian Government's reply to our memorandum December 20. He gave the reply orally.

2. He said I would not repeat not be surprised to learn that the Indian Government was not repeat not prepared to support a resolution to dissolve the Commission. Their conclusion was based on what he knew would appear to us to be a realistic, pedantic interpretation of Article 25. Moreover, it was now clear that Sihanouk wanted the Commission to continue. He indeed wanted the Commission to undertake tasks outside of the Agreement and the Indian representative had, under instruction, told him that India would not repeat not support any extension of activity which could not repeat not be brought within the four corners of the Agreement.

3. I said that it seemed to me that the logical conclusion of the Indian position was that any one of the four parties to the armistice agreements could keep all three Commissions in existence in perpetuity, the parties being France, Laos, Cambodia and DLVN. Was not repeat not this absurd? Alternatively, his argument seemed to lead to the conclusion that any one of the three members of the Commissions — India, Poland, Canada — could keep all three Commissions in existence in perpetuity.

4. I pressed him hard on the various ways one or more of the Commissions might be dissolved and ultimately got from him the interpretation that there were three methods (1) all three Commissions could, under Article 25, unanimously decide to dissolve themselves

simultaneously (2) one Commission might, by unanimous vote, recommend to the two Co-Chairmen that it be dissolved and if the Co-Chairmen approved of this recommendation they themselves would recommend it to the Geneva Conference Powers. The consent of the parties to that particular armistice agreement would not repeat not be required (3) the two Co-Chairmen could take the initiative in recommending to the Geneva Conference Powers that one or more of the Commissions be dissolved.

5. I commented that the third method might be brought into operation by one or two members of a Commission informing the Co-Chairmen that in their opinion the time had come to dissolve a Commission.

6. I said that his reply to me had been in legal terms and did not repeat not meet our contention that the Commission in Cambodia no repeat no longer had any useful work to do. Desai replied that my comment was not repeat not accurate since the Indian position was based not repeat not only on their interpretation of Article 25 that all three Commissions are related, but also on two other factors, the first the attitude of Sihanouk who wanted the Cambodian Commission to continue, and the second the attitude of the DLVN whom he knew would want the Cambodian Commission to continue. Moreover, it was not repeat not correct to state that the Commission had nothing to do — it still had responsibilities under Article 7 of the Armistice Agreement.

7. Since I was pretty sure that his reference to Article 7 was merely made as a debating point, I went on to argue that if India felt as we did, that there was no repeat no longer any useful work for the Commission to do, it could, while being consistent with its legal interpretation of the Agreement, attempt to persuade Sihanouk, the DLVN and the Poles to agree to the dissolution of the Commission. He was vague in his reply to this but gave me the impression that the Indians, if pressed on this point, would claim that this would be inappropriate action for them to take, as Chairman of the Commission. He finally said that it was "hopeless" for us to try to persuade India to change its position on the dissolution of the Cambodian Commission.

8. In an obvious effort to end on a constructive note, Desai said that India would be prepared to lend full support to efforts by us to reduce the strength of the Commission to a bare minimum. The minimum would consist of two officers so that if one got ill there would be one to take his place. This would mean for Canada a reduction from our present level of five officers to two. He reminded me that in order to get a reduction of activities to make a reduction of strength possible we would need unanimous agreement of the three members of the Commission and that if we wanted to pursue this line we would presumably want to get India to try to persuade the Poles to reduce their strength to two officers.[74]

[ESCOTT] REID

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[74] Pour un résumé de la politique canadienne à la Commission pendant le reste de la période couverte par le présent volume, voir document 690.
For a summary report on Canadian policy in the Commission for the rest of the period covered in this volume, see Document 690.

SECTION C

LAOS

711. DEA/50052-B-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], February 21, 1956

IMPLEMENTATION OF CEASE-FIRE RESOLUTION IN LAOS

You will recall that shortly after your return to Ottawa last November, I submitted for your approval a draft telegram on the subject, "Laos: Political Objectives". In this telegram to our High Commissioner in London (No. Y-1958 of December 5[75]) we examined the likelihood of increased pressure by the Royal Government for restoration of its authority over Phong Saly and Sam Neua provinces, after the December 25 elections. We anticipated the possibility that the Government might declare that, having made a sincere effort to reach a political settlement with the Pathet Lao within the recognized time limit, it had discharged its obligations under the Geneva Agreement by holding general elections. The logical projection of this line of argument would be an assertion that the Pathet Lao after the elections had no further right to sanctuary in Phong Saly and Sam Neua under Article 14, and a demand for restoration of RLG authority over these provinces by military means.

2. In the face of this possibility we decided in effect that some limits must be set on the extent of our support for the Royal Government's restoration demands. To persuade the Indians to carry on in the Vietnam Commission in support of the armistice, despite the apparent remoteness of the political settlement there, we would have to be somewhat tolerant of their seeking a similar separation of the military from the political settlement in Laos. That is, we should have to consider sympathetically their argument that the Commission's job in Laos was to maintain the existing cease-fire line, while continuing to aim to achieve unification by peaceful means. In any event, it appeared likely that RLG efforts to dislodge the Pathet Lao by force would fail, and that resumption of hostilities in Laos with open Vietminh intervention would upset the cease-fire in Vietnam. With these considerations in mind, we recognized that it would be undesirable to push our promotion of the Royal Government's sovereign rights over Phong Saly and Sam Neua to the point where there would be risk of resumed hostilities, even if this reservation meant that military partition of Laos might continue for some time.

3. These views were discussed with British, French and United States officials, and proved to be generally acceptable to them. They have remained the fundamental principles on which our actions in the Laos Commission have been based. The continuing force of Articles 14 and 19 "pending a political settlement" has been recognized. In the hope of retaining Indian support for our views on political settlement we have remained receptive to Indian efforts to achieve effective Commission action to stabilize the military situation.

4. An Indian resolution recommending that the Commission's Military Committee should define the areas in which the troops of the Royal Government were located in

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[75] Voir/See Volume 21, Document 697.

Phong Saly and Sam Neua provinces, bearing in mind the nature of military control, size of posts and considerations of local supply and maintenance, was passed by the International Commission on April 20, 1955. The Polish delegate refused to vote on it, and never recognized its passage. This resolution was rejected by both the Pathet Lao and the Royal Government, and no effort was made by the Commission to enforce its provisions. During the early summer the Commission attempted to secure resumption of military negotiations between the two parties, and meetings finally were resumed on July 15, with the International Commission's Military Committee in attendance. The objects of these negotiations were, first, to settle the Muong Peun dispute, and then to draw up a plan for a permanent military settlement. The discussions made little significant progress, and were completely deadlocked before the parties went to Rangoon in early October. The Rangoon Cease-Fire Agreement of October 11, which was not tied to any agreement on a political settlement and was signed by the Royal Government against our private advice, was the first of the various cease-fire arrangements between the parties which officially committed the Government to accept establishment of a continuous neutral zone with concretely demarcated limits. The International Commission took note of this provision in its cease-fire resolution of December 9.[76] It recommended that the Commission's Military Committee, in consultation with the parties, should draw up proposals for demarcation lines separating the opposing forces, basing its deliberations on the Rangoon Agreement and the Joint Minutes covering the pre-Rangoon military talks (signed by the parties on October 28).

5. The Military Committee's proposals constitute the demarcation arrangements which the Indian draft resolution now before the Commission seeks to formalize as a recommendation to the parties. The line proposed is not less favourable to the Royal Government than that of which (in our opinion) the RLG implied its acceptance by signing the Rangoon Agreement. If the Government failed to accept the demarcation resolution now, it would be laying itself open to Indian charges of breach of faith. This and other arguments in favour of our supporting the draft resolution were enumerated in our telegram Y-37 of February 8 to Vientiane, which also outlined the possible arguments for voting against the resolution. On balancing the pros and cons, we concluded that we probably should have to support the demarcation resolution in the end, because of:

(a) our earlier commitments;

(b) our desire to retain Indian support for our views on the political settlement;

(c) the necessity to avoid the possibility of being accused of frustrating the Commission's efforts to prevent resumption of hostilities; and

(d) the desirability of having a clear demarcation line behind which the Pathet Lao would be confined, should the Commission be compelled to withdraw before a political settlement is reached.

6. In conveying this advice to Mr. Bridle, we suggested that when the resolution was introduced he might introduce amendments embodying our reservations. When these were defeated, he could then agree to vote for the recommendation, at that time making the point that if it were rejected by either side, he could not support anything more than a factual report to the Co-Chairmen.

7. It is along these lines that our Commissioner has been participating in the current discussion of the demarcation resolution, with the intention of ultimately voting for it. However, the attitude of grave concern which is the official French reaction to the draft

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[76] Voir/See Volume 21, Documents 687, 688, 693, 702.

text, and the reservations with which it has been received in Washington, apparently make it desirable to review our position again before we commit ourselves finally.

8. The Quai d'Orsay has confined itself to expressing concern in general terms over the implications of the demarcation resolution and makes no detailed suggestions for improving it. (Telegram 113 of February 19† refers.) French failure to protest during the several months that demarcation proposals have been under discussion is explained by saying that the idea of a demarcation line as such was not necessarily unacceptable, but that the Quai must object to the Commission's recommendations as set forth in the draft resolution. They apparently see no harm in the Commission suggesting demarcation arrangements to the parties, provided no attempt is made to impose a particular demarcation line. (This bears some resemblance to our own desire to have the Commission's action in the form of a proposal, rather than a recommendation — which change we already have tried to obtain without success.) The French raise particularly strong objections to the reference, in paragraph VIII of the draft, to the possibility of an appeal to the Co-Chairmen should either party reject the resolution. They urge that any action by the Commission which opens the way for a reference to the Co-Chairmen is unfortunate from the viewpoint of governments anxious to avoid re-convocation of the Geneva Powers, in that such appeals tend to support the Chinese Communist call for a new conference. The Quai also questions the competence of the Commission to invoke Article 36 with a view to compelling compliance with recommendations such as are embodied in the demarcation resolution. Article 36, it is argued, was meant to enable the Commission to report violations of the Geneva Agreement itself, rather than refusals of the parties to accept Commission recommendations which amount (as the French claim the demarcation recommendation does) to addition of new elements to the Agreement. There is no indication as to whether the French will translate their objections to the resolution into advice to the Royal Government to reject it.

9. The State Department's view (Washington telegram 270 of February 16†) is that we should not support a demarcation resolution in the form now before the Commission. It opposes the whole idea of a demarcation line because it considers this a dangerous concession to the Pathet Lao. However, if the demarcation issue must be faced, the State Department would consider the setting of demarcation lines acceptable only after concrete steps had been taken towards implementing the political resolution of January 7. Given some evidence that the Pathet Lao would agree to implement the political resolution, the United States would turn the full weight of its influence towards the achievement of an effective cease-fire. By implication, we assume that if the demarcation resolution is passed in its present form, the United States will urge the Royal Government to make its acceptance conditional upon the establishment of some working connection between the demarcation resolution and the political resolution of January 7.[77]

10. The Foreign Office in effect has promised full British support for our original plan of ultimately voting for the resolution, after expressing our reservations in proposed amendments and statements for the record. (London telegram 157 of February 16† refers.) Lord Talbot will be instructed not only to advise the Royal Government to accept the demarcation resolution, but also to explain to Katay why (in the U.K. view) the Canadian Commissioner has to support the resolution.

11. The instructions contained in our telegram Y-37 of February 8, concluding that Bridle should support a resolution on a demarcation line, were sent before we received the text of Sen's draft resolution contained in Vientiane telegram 64 of February 11.† It would

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[77] Voir/See Volume 21, Document 703.

be possible, although somewhat embarrassing to Bridle, for us to take the line that our instructions did not authorize Bridle to go as far as the Sen draft. We could still support the demarcation line but only as

(a) a proposal to the parties and not as a recommendation, and

(b) a provisional basis for Commission efforts to secure implementation of Article 19.

12. A telegram in the sense of the preceding paragraph is attached for your consideration. The alternative is to authorize Bridle to vote for the Sen draft after proposing amendments and making a statement to make our views clear as indicated in telegram Y-37. If you wish, Holmes, Menzies and I might discuss this question with you.

Attached for convenience of reference are copies of:

(a) Sen's draft resolution;†

(b) Our telegram Y-37 of February 8 which conveys the instructions on which Bridle is now operating;

(c) Commission Cease-fire resolution of December 9, 1955;

(d) Rangoon Agreement of October 11, 1955.[78]

R.M. M[ACDONNELL]
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE 1/ENCLOSURE 1]

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

TELEGRAM Y-37 Ottawa, February 8, 1956

SECRET. IMMEDIATE.

Reference: Your telegram No. 56 of February 4, 1956.†
Repeat London Y-213; New Delhi Y-115; Paris Y-118; Washington Y-234.

IMPLEMENTATION OF CEASE FIRE RESOLUTION — LAOS

Your telegram under reference and earlier telegrams have proven most helpful in presenting the pros and cons of the demarcation line issue.

2. As we see it the main arguments in favour of our supporting the proposed demarcation line recommendation are:

(a) If hostilities are to be effectively stopped a clearly defined cease fire line is necessary.

(b) Whether they now like it or not the Royal Government officially committed themselves to the demarcation line principle at Rangoon, if not in the October 28 minutes. There would be some justification therefore for the Indian contention that their failure to accept it now would be a breach of good faith.

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[78] Voir/See United Kingdom, Parliamentary Papers, Cmnd. 314, *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July, 1955-16 May, 1957*, London: Her Majesty's Stationery Office, 1957, pp. 46-47.

(c) We have previously committed ourselves to support the idea of a demarcation line slightly less favourable than the one now proposed.

(d) In view of the Indian insistence on making such a recommendation we might lose their support on the more vital political issues at a later stage.

3. The main arguments which might be put forward in favour of our voting against a demarcation line recommendation appear to be:

(a) A Royal Government acceptance of a demarcation line recommended by the Commission while there is no political settlement in sight would have the effect of giving a form of official blessing to a *de facto* permanent partition. Partition of Laos is not envisaged in the Geneva Agreement and for the Commission to formally recommend a demarcation line at this stage would tend to confirm the status quo which is what the Pathet Lao, in view of their obvious intention of not wanting to reach a political settlement, appear to want.

(b) A rigid demarcation line would prevent the Royal Government from winning over by peaceful persuasive methods the sympathies of the population in the Northern provinces. An acceptance by it of a demarcation line might have unfortunate political implications throughout the rest of the country.

(c) The line as drawn up does not provide the LNA with entirely satisfactory defensive positions.

4. Weighing of the pros against cons leads us to the conclusion that we will probably have to end up supporting the demarcation line recommendation because of:

(a) our earlier commitments;

(b) the desirability of retaining Indian support for our views on the political side;

(c) the undesirability of putting ourselves in a position whereby we could be accused, justly or unjustly, of frustrating an attempt by the Commission to prevent hostilities.

5. Another more long range factor which brings us to this conclusion is that if for any reason the Commission should be compelled to withdraw from Laos before a political settlement is reached it would appear to be in the Royal Government's interest to have a clear demarcation line drawn in agreement with the Pathet Lao in order to contain the latter and any Vietminh assistance to a limited area.

6. Before finally voting for the recommendation, however, you may wish to consider the plan of action outlined below. You will realize of course that these are only suggestions which appear to us to have considerable merit and you may find it necessary or desirable to modify them, according to the changing situations on the spot:

(a) When demarcation recommendation is introduced, presumably by the Indians, you might introduce an amendment which would include the time limit concept and would emphasize the dependence of the military issue on the political realities. We have noted that you are attempting, with little success, to persuade Sen to change the recommendation to a proposal. As we have always taken the view that in the light of Article 36 there is a clear distinction between a proposal and a recommendation from the Commission you might include this suggestion in your amendment. In this way you may have some success in getting Sen to make it clear on the record what he told you confidentially about not considering the demarcation line recommendation as coming under Article 36. We think it is very important to have Sen's views on this in the official minutes to forestall:

(i) a possible deliberate misunderstanding by the Poles when a report to the Co-Chairmen is made;

(ii) a change of attitude on the part of Sen which might be brought about by later instructions from New Delhi or possible annoyance with the RLG's response to the recommendation.

The introduction of your amendment would give you an opportunity to present a full statement of our views for the record.

(b) If your amendment is defeated, as it undoubtedly would be, you might then agree to vote for the demarcation recommendation. In stating your intention to vote for the recommendation you could make the point that you won't agree to associating yourself with anything more than a factual report to the Co-Chairmen should either side turn down the recommendation. This might elicit from Sen the statement on the recommendation in relation to Article 36 mentioned in the preceding paragraph.

(c) You might privately advise the Royal Government of our view that it would be in its best interests to accept the recommendation, possibly with certain qualifications, rather than reject it outright. If the final demarcation recommendation embodies the formula outlined in paragraph 2 of your telegram under reference an acceptance might be less difficult for the R.L.G. In any event we think it would place it in a better light even if when accepting R.L.G. should make reservations, possibly to the effect that:

(i) The R.L.G. has accepted and is prepared to abide by the cease fire resolution of December 9;

(ii) It has and will continue to uphold Article 19 but cannot be held responsible for any limited military action which might prove necessary if there are breaches of the December 9 resolution and Article 19 by the Pathet Lao;

(iii) The R.L.G. can only accept the line as provisional and not as a recognition of the present *de facto* partition of its country which has resulted from Pathet Lao intransigence on the political side.

A qualified acceptance by the R.L.G. along these lines would make it more difficult for the Indians to accuse it of complete nonco-operation. If in its qualified acceptance it includes a careful and complete restatement of its position, it would also ensure that the R.L.G.'s views were included in any ensuing report to the Co-Chairmen. Inclusion of these qualifications would, of course, be preferable in the recommendation itself but this is unlikely. We think however, you might like to consider outlining them in the statement you make when introducing our amendment.

(d) Should the R.L.G. not accept the recommendation, or should the Indians and Poles decide that a qualified acceptance is not good enough, you should make every effort to ensure that our full views are either embodied in any report made to the Co-Chairman or, if you cannot succeed in reaching agreement on this, submit a minority report after having reached the maximum agreement.

7. During conversations with Foreign Office officials who accompanied Eden and Lloyd during their visit to Ottawa it was agreed that the Foreign Office would caution the Indians against pressing for recommendations which would have the effect of formalizing the *de facto* partition of Laos.[79] This advice was included in the oral communication to Nehru the

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[79] Voir le document 609 qui rapporte les discussions entre fonctionnaires anglais et canadiens concernant l'Indochine, tenues à Ottawa en février 1956. Un document sur la politique canadienne à l'égard du Laos, préparé en vue de ces discussions, est joint au document 613.

See Document 609 reporting on the official-level Anglo-Canadian discussions on Indochina that were held in Ottawa in February 1956. A paper on Canadian policy in Laos, prepared for these discussions, is attached to Document 613.

text of which has been transmitted to you.[80] In view of this there is possibility that Foreign Office may not advise Talbot to suggest to Royal Government that they accept recommendation. Should Indians not heed U.K. suggestion, which they probably won't at this late date, Talbot may still wish to advise Royal Government to accept recommendation as lesser evil. You may wish to discuss this possibility with him.

8. It would seem to us that the principal thing to strive for, if our support of the recommendation seems inevitable, is that it is clearly placed on the record, preferably the public record if the Commission should decide to make a press release, that the dominating factor in the present Laotian problem is the failure of the Pathet Lao to accept the Commission's proposals regarding restoration of the R.L.G. administration in Phong Saly and Sam Neua and that the real bad faith is on the Pathet Lao's side. It is the Pathet Lao position which has caused the Royal Government to have fears about partition of their country and has prevented the realization of the aims of the Geneva Conference.

9. London: Please pass copy to Foreign Office.

10. Paris & Washington: Please convey gist of this to Quai d'Orsay and State Department.

11. New Delhi: Please see our following telegram[81] on this subject.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

TELEGRAM Y-58 Ottawa, February 22, 1956

SECRET. IMMEDIATE.

Repeat New Delhi Y-158; London Y-294; Washington Y-331; Paris Y-180.

LAOS: IMPLEMENTATION OF CEASE FIRE RESOLUTION

I have reviewed the instructions in our telegram No. Y-37 of February 8 in the light of:

(a) Sen's draft resolution forwarded in your telegram No. 64 of February 11;

(b) comments of interested governments on this draft;

(c) position, as I understand it, that we and your delegation have taken regarding this matter;

(d) undesirability of strengthening Pathet Lao claim to separate *de facto* administration in two Northern provinces in the absence of any evidence of progress toward implementation of political resolution of January 7; and

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[80] Non retrouvé./Not located.

[81] Voir/See Document 610.

I have concluded that Sen's draft goes much farther than it was our intention to authorize you to go in our Y-37 which was sent before draft was received.

2. Having in mind the history of Commission effort to ensure an effective cease fire in the Northern provinces, and in the light of the Pathet Lao rejection of the political resolution of January 7, it is my considered view that the Commission resolution on implementation of the cease fire resolution of December 9, should provide at this stage for something less than a take-it-or-leave it recommendation with the threat of reference to the Co-Chairmen under Article 36. I consider that the present situation calls for Commission action which will maintain and if possible advance the measure of agreement reached between the parties regarding a cease fire but not go so far as to court rejection with the consequent upset that it might entail to the present degree of military stability achieved.

3. Accordingly, I think that the Commission should confine itself at this stage to a resolution:

(a) conveying formally to the RLG and the FUPL the proposals of the Military Committee (which we have not yet seen) or proposals based on these as a basis for the renewal of discussions in the Joint Military Committee provided for in Article 5 of the Rangoon Agreement looking toward direct agreement between the parties; and

(b) adopting the proposals of the Military Committee, insofar as agreement has been reached, pending the conclusion of a direct agreement between the RLG and the FUPL, as the provisional basis on which the Commission will endeavour to secure the cooperation of the RLG and the FUPL in the implementation of Article 19 for an initial period of 60 days subject to review during the second 30 days of this period on the basis of views conveyed to the Military Committee by the military representatives of the RLG and FUPL.

4. Since the Pathet Lao did not accept the political resolution of January 7 it is important that the key clauses should be repeated in this resolution so that the Pathet Lao cannot use this military resolution as a means of achieving the *de facto* division of Laos while disputing the Commission's views regarding the unity of Laos and the sovereign right of the Royal Government to establish its administration in the Northern provinces. A sentence should also be included indicating the belief that progress in implementing the political settlement will reduce tension and the cause of hostilities. It is principally Pathet Lao intransigence and not the sporadic shooting incidents which has delayed the political settlement.

5. I would be grateful if you would speak to Sen privately first and explain that I have personally given this matter most serious consideration. We share Indian concern over continuing hostilities in the Northern provinces. We consider that the formula in paragraph 3 will strengthen and advance the measure of agreement achieved so far and the basis for future Commission action in ensuring implementation of Article 19. We are frankly concerned, however, about the ground that would be lost if Sen's draft resolution were adopted and rejected by either party. We are also concerned that the Pathet Lao, having in fact rejected the political resolution and other Commission and RLG efforts to give practical effect to the principles of sovereignty and unity of Laos, will use what Sen intends as a purely military resolution as a means of effectively partitioning Laos and confirming their exclusive civil as well as military control of the area behind the demarcation line. I realize that these views will require the complete recasting of Sen's draft resolution, but I cannot see my way clear to authorizing you to vote for Sen's resolution in its present form. If he insists on an early vote on his draft, you should speak in Commission along lines outlined in paragraphs 2-4 above, and then abstain on vote.

6. I would be grateful for your comments and a redraft of resolution incorporating views in paragraphs 2-4.

7. Please wire us and Delhi if you wish High Commissioner to convey my views in paragraphs 2-5 to Indian authorities.

8. Delhi, London, Washington, Paris: Above is for your information only pending reply from Bridle. You may say that we are still exchanging views with our Commissioner to see what improvements can be effected in Sen's draft resolution.

[L.B.] PEARSON

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712. DEA/50052-B-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

TELEGRAM Y-65 Ottawa, March 7, 1956

SECRET. IMPORTANT.

Reference: Your letter No. 60 of February 15, 1956.†

LAOS: REPORT TO CO-CHAIRMEN ON POLITICAL RESOLUTION[82]

Your efforts, to secure a strong report and clear statement of Canadian position, are appreciated. We think, however, that in view of the understanding we had here with the United Kingdom officials who accompanied Eden on his visit to Ottawa, that the U.K. would send a strong note to Molotov concerning the Pathet Lao rejection, and give it publicity, it might be helpful if we made a few comments on the report which may assist you in the preparation of future reports to the Co-Chairmen. You will understand that this is not intended as a criticism of your efforts and that we are fully aware of the very real difficulties you face in the Commission when drafting these reports. What we hope to do is to assist you, by reviewing the report under reference, in having your contributions to the majority sections, and the Canadian minority sections, phrased with greater regard to the way in which these reports may be used as a basis for:

(a) diplomatic initiative;

(b) public enlightenment internationally and in Laos;

(c) the historical record.

2. We think you will agree that, in looking at the report with these points in mind, it is somewhat disappointing. The following aspects in particular strike us as unsatisfactory, especially if looked at from the United Kingdom Government's position at the time when the report is received:

(a) first paragraph does not include quotable summary of the provisions and objectives of the political resolution;

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[82] Voir/See United Kingdom, Parliamentary Papers, Cmnd. 314, *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July, 1955-16 May, 1957*, London: Her Majesty's Stationery Office, 1957, pp. 49-52.

(b) there is no agreed statement of majority Indian and Canadian view;

(c) Canadian statement does not deal with substance of political resolution and does not explain why "it fell somewhat short of what the Canadian delegation felt was required under the circumstances" or indicate what features we feel "might possibly lead to misunderstanding";

(d) Polish minority view was given first;

(e) the delay in transmitting the report has enabled Russians to seize the initiative in bringing forward Souphanavong's letter (you might wish to ask Talbot to show you telegram No. 162 of February 20 from Moscow to Foreign Office and Foreign Office telegrams 164 and 165 of February 24 to Moscow, if he has not already done so.)

3. Suitable summary of political resolution might have provided usable quotation for United Kingdom Co-Chairman and for public information purposes and would have constituted minimum positive statement if agreed majority statement could not have been worked out with the Indians.

4. We think you should put pressure on Sen, when further reports are being prepared, to include a majority statement whenever possible giving the area of Canadian and Indian agreement. In the report under reference there is no majority statement that could have been used by the United Kingdom Co-Chairman as a supporting quotation in complaining to Soviet Co-Chairman regarding Pathet Lao non-acceptance.

5. If it is not possible to get an agreed majority statement the Canadian statement might well be more vigorous. In the latest report it seems to us that the Canadian paragraph deals too much with the background of adoption of the resolution instead of with the substance of the resolution and what the rejection of it by the Pathet Lao augurs for the future.

6. The letter to the Pathet Lao is satisfactory, as we recognize that any effort to blame the Pathet Lao at that stage would probably have resulted in lengthy statements of positions by three delegations.

7. You will note in Foreign Office telegram 165 (see paragraph 2(e) above) to Moscow that the United Kingdom Government has suggested to the Soviet Government that a message be sent to the International Commission in Laos, through the Indian Government, asking for the Commission's views on letters addressed to the Commission by the Royal Government and to the Co-Chairmen through the Commission by Souphannouvong. It would seem to us that the report on these letters would provide us with an excellent opportunity to get the facts of Pathet Lao lack of cooperation and failure to implement the agreement squarely on the record in a way in which the United Kingdom could use them for diplomatic and publicity ends. In order to refute Souphannouvong's contentions that the R.L.G. are to blame for the situation in Laos, we think it would be a good idea to prepare a summary of the findings of the Commission on all investigations completed since the time of cease-fire. Such a summary would, we think, show quite clearly who is largely to blame for the troubles in the two Northern provinces. In this respect you may be able to make use of papers already prepared by you concerning Pathet Lao behaviour at Houei Thao and elsewhere.

8. We have examined with interest the draft of the special report under cover of your despatch No. 64 of February 15† and our comments will be in a following telegram.†

9. We believe that we have a strong case in Laos which needs to be vigorously pushed partly in order to balance less satisfactory situation in Vietnam. We want you to know that you will have our support for taking an even stronger line in Commission reports. We would also welcome your telegraphic suggestions in each case as to how United Kingdom Co-Chairman might exploit reports. No doubt our suggestions, as seen from this distance,

as to how reports might be improved will seem less practicable on the spot, and it would be helpful for our own guidance to have in due course your comments and suggestions.

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713. DEA/50052-B-40

Le commissaire de la Commission internationale de surveillance pour le Laos au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Laos, to Secretary of State for External Affairs

TELEGRAM 129 Vientiane, March 24, 1956

SECRET. IMPORTANT.
Reference: My tel 118 Mar 13.†
Repeat New Delhi No. 27.
By bag Hanoi, Phnom Penh.

IMPLEMENTATION OF CEASE FIRE RESOLUTION

Commission action is still in suspense. Sen and I have had no recent discussions and we are awaiting Delhi's further reaction towards views conveyed by our High Commissioner. I see no reason for us to press the Indians on this. Now that a new government has been formed Sen may wish to move forward but so far has taken no initiative.

2. You will recall that during the stage prior to receipt of your Y58 of February 22 we had been endeavouring to secure agreement in the Military Commission to a corridor which would allow the LNA to retain two important posts. This involved negotiation with the Poles who said they would consult the FUPL. It also involved securing confirmation from our team that a track which would make such a corridor feasible exists on the ground. So far the team has been prevented from sending a conclusive report because of the helicopter difficulties. The Polish attitude suggests that they are most unlikely to agree even if they are satisfied that a track exists. They say the Pathet Lao are in any case reluctant to accept any corridor through which they would not have access.

3. Because our current discussion on the resolution is only with the Indians and since we do not yet know what the outcome will be I have said nothing about our views to the Poles. I do not think that, when the time comes to do this, the long standing negotiations with them over the corridor will reach any special problem.

4. The present Polish attitude toward the resolution is curious. In the early stages they pressed strongly for a demarcation line. However, they have in no way protested about the delay of the past month or so and have seemed rather quiescent. However, I still have no reason to think that they will modify their advocacy of a resolution on an even more rigid basis than that proposed by Sen.

5. Our information through LNA channels is that the army will seek government approval for a modestly stepped up programme of military action against the Pathet Lao. I am satisfied that any favourable decision the Government might reach on such a proposal would be only in terms of action sometime after the discussions between the Co-Chairmen, (group corrupt) that the question of actual implementation would depend on the extent to which the RLG derived some satisfaction from these discussions.

6. When I called on Souvanna Phouma, the new Prime Minister, yesterday he asked me about Commission action. Our conversation was mostly about the problem of a political settlement but I also mentioned the draft cease fire resolution and told him roughly where (group corrupt) stands in the Commission. I made a suitable reference in the broadest terms to our attitude which is in any case well known to him, but without reference to our current discussions with the Indians. He said, because the Pathet Lao had not accepted the January 7 resolution, he greatly doubted if the RLG could accept a demarcation line resolution. He said nothing about possible accepting with suitable reservations and went on to suggest that separation of the forces might now be achieved by the setting up of neutral zones around LNA posts until after the Co-Chairmen have completed their discussions. This, he said, would ensure stability without setting up a potential dividing line. We will study the feasibility of this project from the military point of view. Even if feasible I doubt if it would satisfy the Indians and Poles if it were to be for as short and definitive a period as Souvanna suggested. You may, however, wish to consider his proposal. So far I have not mentioned it to Sen or to any of our friends here.

[P.] BRIDLE

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714. DEA/50052-B-40

Le commissaire de la Commission internationale de surveillance pour le Laos
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Laos,
to Secretary of State for External Affairs

TELEGRAM 133 Vientiane, March 29, 1956

SECRET. IMPORTANT.
Reference: Your tel Y65 Mar 7 and Y75 Mar 21† and my tel 122 Mar 17.†
By Bag New Delhi, Hanoi, Phnom Penh.

SPECIAL REPORTS TO THE CO-CHAIRMEN AND THE QUESTION OF A POLITICAL SETTLEMENT

I shall do my best to make the special report under the January 7 resolution reflect the views in your telegrams under reference, which largely coincide with the views I have myself been expressing to Sen. At the same time I would like you to understand the difficulties which attend this exercise.

2. Most of the points in your Y65 were in my mind when the letter covering the resolution and related documents was being prepared. The simple explanation of its paleness is that we reached a point when further discussion would have borne little, if any, fruit and would have imposed a dangerous delay. As it was through no fault of this delegation, more than a month elapsed between agreement on the text and receipt by the Co-Chairmen.

3. The same difficulties beset the special report. As I have indicated in previous messages, the Indian attitude toward implementation of the January 7 resolution is different from ours. They do not resile from its assertions but its main appeal to them was its calling for further talks; they still regard talks as the only possible path to a settlement, and it seems they will continue to give active support to the resolutions only to the extent that, in their view, it will facilitate rather than hinder progress toward talks.

4. As you know from my earlier reports, Sen believes the Pathet Lao, and those who "advise" them, might be interested in a settlement. The RLG would take some step to assert their capacity for independent action — ie, without giving up the substance of the United States idea, adopt a somewhat neutral orientation. He is informally exploring the possibility of (group corrupt) such idea, especially if raised by the Russians in London, having some appeal for the RLG. I have told him, apart from the merits or demerits of such an approach, I can see no reason why his idea should deter the Indians from joining us in continuing support of the January 7 resolution. He agrees we should not go back on it but argues in favour of these parties being encouraged to see each other's point of view.

5. Another consideration which we agree, though unspoken, with Sen is the Indians' desire not to be associated with material in the report which, in their judgment, would be used by one side or the other as part of a diplomatic propaganda offensive. They have always distinguished between passage of the resolution per se and use of it or reports related to it for purposes of this kind. They have noted the various ways in which the resolution and related documents have already been used for such purposes and are not anxious to provide more material of the same kind.

6. Since sending my telegram under reference I have encountered a procedural difficulty which rises essentially from the point of view described in paragraph five. From the start even the Poles have expressed doubts about the special report, and the guidance expected from Warsaw for the past six weeks has simply not been forthcoming. We will probably know their attitude when the new Commissioner arrives on April 2. They will either have extreme views on contents or oppose sending the report at all. This, and what he knows of our views, causes Sen to be apprehensive lest the report be difficult to put into final form. He has argued from this that it might be of doubtful value.

7. Lately he has gone further than this and suggested that, since it seems possible that the Russians might try to put off discussion of Laos on the grounds that the special report has not yet been received, discussion now by the Commission before the London talks might seem an effort to assist the United Kingdom Co-Chairman. He concedes that continued failure to submit would seem, even more, to be an effort to assist the Russians. But he does not like what he regards as this "dilemma" and wishes the Co-Chairmen would reach a decision to discuss Laos and so inform the Commission at an early date. I believe he is now discussing the question raised in this paragraph with his government.

8. I argue that we are obliged to send the special report and that, if necessary, the Polish attitude can be disregarded; that the report is long overdue and that the Commission would be remiss if it failed to submit it before the London talks; that, as matters stand, the Co-Chairmen have material from the parties which is rather weighted with Pathet Lao propaganda and that the Commission has a duty to get this in perspective; and that the Co-Chairmen have a right to expect the Commission to give them the best possible guidance before they discuss the Laotian problem.

9. It is evident that the RLG are looking, perhaps somewhat too hopefully, toward the London discussions, which they assume will cover Laos. Both Souvanna and Katay indicated, when I saw them last week, that the RLG would take no separate initiative pending the London meeting. The Prime Minister asked me to request my Government to use its influence with the Co-Chairmen to persuade them that the Pathet Lao should be told, perhaps via the Chinese or Vietminh, that the January 7 resolution should be implemented. Souvanna is speaking in similar terms to the British, Americans and French here, as well as to Sen and to the Polish representative.

10. Much of the above applies, *mutatis mutandis*, to the proposed commentary on the letters. I shall be guided in this connection by your telegrams under reference and shall consult you further if time allows, both with respect to the commentary and with respect to the report. Sen left for Hong Kong yesterday but has agreed to work with me on both immediately on his return on April 2. To expedite despatch he has agreed to transmission by telegram. I am fairly confident that I can get these documents sent in time; as to their content, I shall do my best and shall concentrate on a maximum area of Canadian-Indian agreement, except where dissent is essential, in order that, to the extent possible, they may give the effect of a report from the Commission.

[P.] BRIDLE

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715. DEA/50052-B-40

Le commissaire de la Commission internationale de surveillance
pour le Laos
au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Laos,
to Secretary of State for External Affairs

TELEGRAM 151 Vientiane, April 13, 1956

CONFIDENTIAL. IMMEDIATE.
By Bag New Delhi, Hanoi, Phnom Penh.

DRAFT SPECIAL REPORT

The following is the text of the draft Special Report to the Co-Chairmen agreed to by the three Commissioners this morning. Begins:

Sir, in view of the forthcoming meeting in London of the Co-Chairmen of the Geneva Conference on Indochina and also of the fact that the Third Interim Report covering the time up to December 31, 1955 is not yet available to the Co-Chairmen, we give below an account, in broad outline, of the present situation in Laos. This report also disposes of the action contemplated in the sixth paragraph of my letter of 15 February, addressed to the Co-Chairmen. We hope that this report may be of some assistance to the Co-Chairmen if they discuss the problem of Laos, particularly in view of the letters from the parties forwarded by the Commission to the Co-Chairmen, and that in this event they may be able to put forward their views as to the line which could most profitably be pursued in the endeavour to reach a final and equitable solution.

2. At the root of most of the difficulties in the Laotian problem lie divergent interpretations of Articles 14 and 19 of the Cease-Fire Agreement held by the RLG and the PL. The Commission, although recognizing the need for an authoritative interpretation of the Articles, has so far been unable to find the necessary measure of agreement. The points at issue are:

(a) The PL claim that, pending "a political settlement" the whole of the provinces of Phong Saly and Sam Neua with the connecting corridor form their final regroupment zone. The RLG do not accept this view and maintain that, as the sovereign authority, their rights in these provinces are unimpaired except that the forces of one party should not commit any "hostile act" against those of the other.

(b) Whether the "political settlement" anticipated in Article 14 was intended to take place, as the RLG claim, before the statutory general elections of 1955, or whether, as the PL appear to claim, that while "political settlement" was desirable as soon as possible it must be based on agreement to be reached after due discussion between the parties on equal terms and without any specific time limit.

3. Throughout the summer of 1955 negotiations for a political settlement took place between the parties centering largely around the associated problems of the restoration of the Royal administration and general elections. The Pathet Lao desired certain changes in the electoral law, only some of which the Royal Government were prepared to accept. The Royal Government maintained that under the existing laws they could not accept principal demands of the Pathet Lao for votes for women, reduction in the qualifying age of candidates and the setting up of joint central committees for elections. The Royal Government's insistence that the establishment of administration in the two Northern provinces should take place before the elections, countered by the Pathet Lao demand that such establishment should follow the elections, eventually led to a deadlock.

4. The Royal Government held "general elections" on December 25, 1955. The Pathet Lao did not participate in them. The Commission was not asked to play any part in the elections and it did not adopt any official attitude toward them. However, limited comments on the attitude of the three delegations on this question might be mentioned. The Canadian delegation held the view that these were not contrary to the Geneva Agreement and that the RLG had tried their utmost to reach a political settlement with the PL beforehand and were bound by their own constitution to hold elections some time in 1955. The Polish delegation considered that the elections were not held in conformity with the Geneva Agreement, that the Commission had taken no part in them and had made no comments. The Indian delegation takes the view that the RLG had freedom to hold elections whenever they wished under their own laws but as no political settlement had been reached with the PL and they did not participate in the elections, these elections were not of the type contemplated in the Geneva Settlement.

5. The circumstances in which the Resolution of 7 January was adopted are already known to the Co-Chairmen. My letter of 15 February gave the views of the three delegations on this resolution and also of the reaction of the parties. Since then, the deadlock has remained unbroken. The Pathet Lao addressed a letter to the RLG on March 30, proposing a resumption of the talks for a political settlement. In their reply the RLG stated that it would be desirable to wait for the pronouncement of the Co-Chairmen on the reference made on 7 January Resolution.

6. The military situation in the two Northern provinces of Sam Neua and Phong Saly continued to be unsatisfactory. Numerous clashes occurred between the troops of the Royal Government and the fighting units of Pathet Lao. In their attempt to consolidate scattered posts in the Northern provinces, LNA army extended its control in the intervening territory and in the process they created new posts in the perimeter and have on occasions attacked PL. What is considered "consolidation" by the RLG is viewed as "expansion and attack" by the PL, and they have, from time to time, harassed or attacked RLG posts. In this situation, which is viewed strategically as a whole by both RLG and PL, clashes occurred, particularly in places where the opposing forces are near each other. Owing to transport difficulties, of which the Co-Chairmen are aware, and in particular owing to the shortage of helicopters to be provided by the French Liaison Mission, the Commission has been badly handicapped in carrying out investigations. It has also not always received complete cooperation from either side. In territories controlled by the PL, teams have often not been allowed free movement and were generally unable to question witnesses on their own initi-

ative. The cooperation of the PL with the Commission showed some improvement during recent months, which it is hoped will continue, although on several occasions the men under their command behaved in a manner which invited strong criticism from the Commission. The cooperation of the RLG with the Commission continued to be generally good, although, at times, the behaviour of some of their soldiers at a particular post towards the team was highly unsatisfactory. The Commission has (10 groups missing) strongly remonstrated to the RLG about this recent deterioration which, it is hoped, the Government will put right.

7. If a political settlement is reached between the RLG and the PL, these above mentioned problems can be expected largely to disappear, but meanwhile the Commission must continue to prevent hostilities or any worsening of the military situation to the best of its ability. The Commission's present endeavours in the military field are concentrated on finding a suitable means of implementing the Resolution of December 9, 1955 which was accepted by both sides. The Military Committee, with Canadian reservation, have already drawn up proposals for a suitable demarcation line separating the forces. The Commission hopes to consider these proposals at an early date.

8. A similar telegram has been addressed to H.E. M.V. Molotov/the Rt Hon Selwyn Lloyd MP.

9. I take this opportunity, Sir, to renew to you assurances of our highest consideration at all times. Ends.

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716. DEA/50052-B-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

TELEGRAM Y-93 Ottawa, April 19, 1956

CONFIDENTIAL. IMPORTANT.
Repeat London Y-630; Washington Y-744; Paris; New Delhi Y-328.

LAOS: SPECIAL REPORT

We are pleased that Commission was able to send its Special Report to Co-Chairmen in time to be considered at current meetings in London. We regret that it does not contain the suggestions we and the U.K. made that would have helped Lord Reading to press for implementation of the January 7 political resolution. On the other hand, compared with Sen's original draft this is a great improvement because it is concise and factual. While it does not advance the case for implementation of the January 7 political resolution, it does not lose ground either and also avoids the implication that Sen's demarcation line resolution is the only solution to the continuing military clashes. We hope that the special report will provide a clear statement of the issues that may help Lord Reading to focus his discussions with Mr. Gromyko on essential matters.

2. We are fully aware of the very difficult situation you have been facing and continue to face in trying to get factual and constructive reports from the Laos Commission. Your

efforts are appreciated by all of us here and we think you should be congratulated for achieving as much as you have.

717. DEA/50052-B-40

Le commissaire de la Commission internationale de surveillance pour le Laos au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Laos, to Secretary of State for External Affairs

TELEGRAM 193 Vientiane, May 18, 1956

CONFIDENTIAL

Reference: My tel 192 May 16.†

By Bag New Delhi, Hanoi, Phnom Penh.

PROPOSED RESUMPTION OF POLITICAL TALKS[83]

Since this issue became particularly active toward the end of April I have continued to act in accordance with the general (group corrupt) outlined in your telegram Y96 April 23.† I have not given the government any positive advice but I have acted closely in concert with and, in a quiet way, in support of the British in relation to the January 7 Resolution. I have also kept in touch with the Americans and the French but have not been associated with any actions which the Americans may have taken.

2. I am inclined to think that in this complex situation, our best course is to maintain a clear idea of the role which we feel the January 7 Resolution should play in the immediate future and to act accordingly in the Commission and in conversation with members of the RLG. The extent to which you would wish me to volunteer positive advice to the RLG, and the nature of any such advice is, however, a question on which I would appreciate your guidance, with particular reference to the point raised in paragraph 3 of my telegram under reference. There would seem to be some advantage in leaving it to the British to take the lead in this; such tactics have apparently succeeded fairly well so far. I am prepared, however, to do whatever may seem wise in future in the light of all the circumstances.

3. We should, of course, continue to consult closely with our friends on this and to maintain a common attitude, particularly with the British. The Americans, I feel sure, will continue to behave correctly and circumspectly but they must inevitably keep a close watch on any trend toward neutralism, lest it go too far, as they seem already inclined toward a gentle (tightening of the reins) to counter the more extreme pulls from the North. This struggle, if it becomes one, is one in which we are very much interested but perhaps indirectly. Our position in Laos is primarily that of a Commission government and our views on the nature of Laos' relations with other countries do not necessarily coincide entirely with those of the Americans.

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[83] Lorsqu'il reprit ses fonctions de premier ministre en mars 1956, Souvanna Phouma déclara que sa principale priorité était la réintégration du Pathet Lao, et il essaya d'organiser une nouvelle série de pourparlers avec ses représentants.

When Souvanna Phouma returned to office as prime minister in March 1956, he declared that his most important priority was the reintegration of the Pathet Lao and he set about trying to arrange a new round of talks with them.

4. We should also be careful not to act in a way which would involve us in internal political conflict within the Laotian Government.

5. I would be grateful to know if this analysis is in harmony with your thinking.

[P.] BRIDLE

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718. DEA/50052-B-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

TELEGRAM YY-38 Ottawa, May 31, 1956

SECRET. IMMEDIATE.

Reference: Your telegram 202 of May 26, 1956.†

Repeat New Delhi; London, Washington and Paris (Information. Routine).

LAOS: PROPOSED RESUMPTION OF POLITICAL TALKS

Analysis of current Laotian situation contained in your telegram 193 is basically in harmony with our thinking. We agree you should continue to insist that Commission should give maximum support to January 7 Resolution.

2. If UK should be successful in persuading Russians to agree to message which contains essential points of January 7 Resolution without actual reference to it you should, of course, agree that such a message would be suitable basis for resumption of political negotiations. We share UK doubts, however, that Russians will agree.

3. If Prime Minister decides to meet with Souvannavong on personal basis regardless of whether latter accepts January 7 Resolution as basis for discussions we do not think you should raise objections. You might take suitable opportunities, however, to advise Prime Minister against too great optimism and warn him of pitfalls. We find it difficult to think that Souvanna Phouma can be too optimistic in view of his experiences of negotiating with Souvannavong at Khang Khay in September 1953. We realize, however, that family ties play important role in Laotian affairs and that by tradition it is appealing to Prime Minister to attempt settlement on this basis.

4. While we are inclined to doubt wisdom of Americans advising Prime Minister against personal meeting with Souvannavong we also doubt whether we should take any formal steps to give them our views. You might wish to tell Blancke informally that we do not think it would be advantageous to Western interests if it should be known that U.S. formally advised Prime Minister against personal meeting. While Communists would undoubtedly lay blame on us if meeting did not take place regardless of whether U.S. actually interfered we can foresee damaging effects on our relations with Indians unless we are in position to assure them positively that no interference actually took place. We understand U.S. concern and we assume they will weigh pros and cons very carefully before taking decision to advise against personal meeting. If Americans do give such advice we would appreciate their reasons but would not wish to associate ourselves with them.

5. We would appreciate your estimate of Sisouk's pessimistic statement about Communist successes, contained in your telegram No. 203,† which differ from more comfortable assessments we have had since elections.

6. We see advantage in your suggestion that we continue to leave to British to take lead in advising RLG. You should not, however, hesitate to present our views if it appears that RLG wish to receive them.

7. New Delhi. You should take suitable opportunity to advise External Affairs of danger to prestige of Commission inherent in USSR attitude on Laos as outlined in Vientiane telegram 201.† We agree with Bridle that it would not be advisable to suggest to Indian Government that they intervene with USSR unless in conversations there is an indication that Indians would be willing to take this step. When speaking to Indians you might also reaffirm that we are as anxious as they are to see an early settlement in Laos. We would not wish to stand in the way of any possible means of achieving settlement and if Royal Government and Pathet Lao can reach agreement on a satisfactory basis we would welcome it. We think, however, that in absence of any new practical proposals, the Commission should continue to stand by principles of January 7 Resolution if its views are sought by either party. You might also wish to indicate that we do not wish to interfere in Laotian internal politics and that we do not intend to offer any advice to RLG concerning question of their assuming a more neutralist position in world affairs. We think Indians will agree with us, however, that it would be unfortunate if, in their eagerness for a political settlement, the RLG gave away too much, making it possible for Communists to assume preferred position in conduct of Laotian affairs which their numbers and influence do not warrant and which was not envisaged for them at Geneva. If RLG should seek Canadian views on the political negotiations we would consider it in their best interests to advise them along these general lines.

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719. DEA/50052-B-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

TELEGRAM YY-142 Ottawa, August 10, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Your tel 314 Aug 5.†
Repeat London; Paris, Washington, New Delhi (Information).

MEETING WITH PATHET LAO

United Kingdom High Commissioner has supplied us with text of communiqué issued by Souvannavong and Souvanna Phouma.[84] We are not too happy with it as it seems to us on first glance that RLG have given away more than they needed to without getting any concrete commitments from Pathet Lao in return. We think it important, however, not to show RLG or Indians that we are displeased with communiqué as true colours of Pathet Lao will only be revealed when two sides get down to discussing details. If Pathet Lao show real desire for settlement during detailed negotiations, there is no point in antagonizing Souvanna Phouma ahead of time. If, as we suspect, they prove unreasonable, this will soon become apparent to RLG and Indians and we will be in better position to put over our own views if, by accepting communiqué at face value, we will have shown that we sincerely hoped for settlement.

2. We were somewhat surprised at report from Holliday, passed to us by UK High Commissioner, that he and Parsons were trying to exert influence on Souvanna Phouma to keep him from adopting a neutral policy for Laos. This is contrary to what we had previously understood the UK position to be, and we are asking our High Commissioner's office in London to ask the Foreign Office for clarification. You also might wish to raise this point informally with Holliday. We were surprised too that Holliday should take somewhat unusual step of handing Souvanna Phouma a suggested draft communiqué prior to commencement of meetings. It seems to us that this might tend to offend and antagonize Prime Minister.

3. If no action has been taken yet we think it would be inadvisable for Commission to countersign communiqué. We would prefer not to have Commission's name on this document and also have grave doubts that such action would come within Commission's terms of reference. As we would not, however, wish to give impression that we are opposed to communiqué, you might suggest to Sen that Commission could take note of it, if necessary with satisfaction, with perhaps some appropriate expression of Commission's hope that it will lead to general settlement.

4. We think you might attempt, without appearing to interfere, to persuade your UK and US colleagues that it might be wiser to refrain at this stage from pressing on Souvanna Phouma their objections and misgivings concerning communiqué. We do not think you should raise question of integration with US Embassy as they already know our general views on the subject. But if your opinion is asked you should give our views along lines of our telegram YY122 of July 25.†

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[84] Dans le communiqué daté du 5 août 1956, le Pathet Lao et le gouvernement royal du Laos s'entendaient sur l'utilité de mener une politique étrangère qui suivrait « the path of Peace and Neutrality »; convenaient d'un cessez-le-feu à Sam Neua et à Phong Saly, et promettaient d'examiner la possibilité de tenir des élections libres et de former un gouvernement d'union nationale. Le communiqué est reproduit dans United Kingdom, Parliamentary Papers, Cmnd. 314, *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July 1955-16 May, 1957*, London: Her Majesty's Stationary Office, 1957, pp. 54 à 56.

In the communiqué dated August 5, 1956 the Pathet Lao and the Royal Laotian Government agreed on the desirability of pursuing a foreign policy which followed "the path of Peace and Neutrality"; agreed to a ceasefire in Sam Neua and Phong Saly; and promised to study the possibility of free elections and the formation of a National Union Government. The communiqué is reprinted in United Kingdom, Parliamentary Papers, Cmnd. 314, *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July 1955-16 May, 1957*, London: Her Majesty's Stationary Office, 1957, pp. 54-56.

London: Would you please take suitable opportunity to give our general views to Foreign Office including those points in paragraph 2 above.

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720. DEA/50052-B-40

Le commissaire de la Commission internationale de surveillance pour le Laos au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Laos, to Secretary of State for External Affairs

TELEGRAM INCHIN-341 Vientiane, August 20, 1956

CONFIDENTIAL

Reference: Your tel YY142 Aug 10.

Repeat London, Washington and Paris (Information).

By bag New Delhi, Hanoi, Phnom Penh from Vientiane and Canberra, Wellington from London.

PROPOSED SETTLEMENT WITH PATHET LAO

It is argued that, with the RLG committed to certain principles in advance of a substantial settlement and with the [Souvanna] visit to Peking following hard on the Agreement on Principles, the Communists are well on the way to achieving the sort of settlement in Laos which they think best calculated to serve their long term ends. On the other hand, while the RLG has certainly not repeat not had its own way so far and will probably accept some compromise in reaching a substantial settlement they have already resisted certain extreme Pathet Lao demands and may continue to do so. Moreover, it does not repeat not necessarily follow that the Communists will achieve their ends as the result of a settlement or as a consequence of the visit to Peking. In assessing present developments we also have to consider the method and objectives of the RLG in the negotiations, and their long-term intentions and chances of success. While it would be premature to pass judgement at this stage, when I view the matter in this light I do not repeat not feel unduly disturbed by the course of events so far and I welcome the prospect of a settlement.

2. The RLG method in the negotiations has been to create the right atmosphere for them, to go some distance toward satisfying the Pathet Lao on questions of principle, and by this means and other techniques to develop mutual confidence as a basis from which to work out the final settlement. It is their aim, without giving away anything essential, to integrate the Pathet Lao (frankly?) and fully, to restore the Royal administration in the North, and thus to bring about a genuine reconciliation of the Laotian people. Their long-term intentions, so far as these can be ascertained, are to maintain a strong democratic government, to make Laos independent and neutral both with respect to (alliances?) and with respect to foreign interference, and to make the country more prosperous and, ultimately, able to stand on its own feet economically.

3. The RLG chances of success depend on imponderable factors and cannot yet be assessed with certainty. Laos seems clearly to have embarked on a more definite policy on neutrality but I am sure that it is not repeat not the intention of the present leaders to veer toward the Communist Bloc and I am confident that they will continue to do their utmost to make Laos truly independent. The likely development of the internal situation is perhaps the most difficult to predict over a long period. As indicated in my telegram 340† the

prospects are that, probably following complementary elections within the next 6 months or so, there will be a national union government including at least one representative of the Pathet Lao. In addition the Pathet Lao will have freedom to pursue their activities through various organizations, and cover action by groups favourable to them will doubtless continue. In assessing the likely affect of all this one must consider, on the one hand, the proven capacity of Communist inspired elements to gain the initiative in Asian countries and, on the other hand, the character of the Laotian people who, in spite of their easy going way, would find Communism a strange doctrine and the potential strength of RLG leadership which, though it needs more drive and is inadequately staffed may well prove more effective than heretofore under the challenge of changing circumstances.

4. At the present time I can throw little further light on the purpose of the visit to Peking as soon as matters had been arranged with the Pathet Lao and that, now that this has been done, it is fitting that he accept the Chinese invitation. I suppose it was at the suggestion of the Chinese that he decided to include in his party the Ministers of Finance and Agriculture. However, he has said he will make no commitments and he evidently does not repeat not contemplate the Chinese intervening on the Pathet Lao issue. He explains the visit by saying that, if you have an abscess, you can either let it fester or do your best to remove it.

5. The RLG party will probably stop in Hanoi on its way back to Vientiane. This will give the Prime Minister an opportunity to talk to DRVN leaders about the alleged frontier violation on the Xieng Khouang border and other matters of interest to the RLG such as DRVN interference. I do not repeat not know to what extent the Prime Minister intends to enlarge the scope of these discussions but I have the impression that he intends them to be relatively limited.

6. Two recent developments are of interest with regard to the Peking and Hanoi visits. We have learned from LNA sources that Vietminh elements have been withdrawn from Sam Neua province and are now being stationed on the Vietnam side of the border. On August 18 the newly appointed Minister for South Vietnam arrived in Laos on a special visit prior to taking up his appointment. I understand he called on the Prime Minister and told him that the South Vietnam Government would be most displeased if the RLG were to accept any economic aid from Communist China and that his government would take steps to prevent any such aid reaching Laos through South Vietnam.

7. When the Joint [PL-RLG] Committees meet they will have several difficult problems to tackle and a settlement is far from assured. An immediate problem may be the maintenance of peaceful conditions during the transitional period (my telegram 337 August 18†). In working for a satisfactory settlement the RLG will have to depend on sound negotiation and, in the last analysis, on Pathet Lao sincerity which has yet to be proven. The only real bargaining counter they have left — freedom not to conclude an agreement if they so choose — has little real meaning because the RLG certainly want a settlement; on the other hand the Pathet Lao seem firmly embarked on their new course and I am inclined to doubt if they now wish to see a settlement frustrated.

8. My present view with regard to the RLG is that what we are witnessing here is more than anything else a (group corrupt) but firm assertion of Laotian nationalism. Although the difficulties facing the RLG both in the balance of the negotiations and in the subsequent period may be formidable, I believe that RLG leaders are acting in what they firmly consider to be the best interests of their country and that they are determined to the best of their ability to lay a sound basis for its future.

9. I hope that the above preliminary assessment may be of assistance to you at this time. When I can offer an appreciation of the significance of the visit to Peking I may forward a further assessment.

[P.] BRIDLE

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721. DEA/50052-B-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM YY-158 Ottawa, August 30, 1956

SECRET. IMPORTANT.

Reference: Vientiane telegrams 341 and 342† of August 20.
Repeat London, Paris, Vientiane and Delhi (Information. Routine).
By bag Canberra, Wellington, Phnom Penh and Hanoi.

USA VIEWS ON PROPOSED PATHET LAO SETTLEMENT AND TREND OF LAOTIAN POLICY

We think it might be worthwhile, when a suitable opportunity presents itself, to let the State Department know, on a very informal basis, Bridle's general views expressed in telegrams under reference and other related telegrams on the desirability of Western countries exercising a good deal of understanding, patience and confidence in their relations with the R.L.G. during the present negotiations.

2. You might say that we fully appreciate apprehension of U.S.A. concerning the present settlement negotiations and general trend of R.L.G. policy. We think, however, that rather than showing apprehension and disapproval it would be better to try to indicate a little more faith and confidence in the R.L.G.'s good intentions and their ability to carry them out successfully. We have no reason to believe that leaders have shifted their orientation in any essential way from the West to the Communist Bloc. Their recent actions most probably stem from a sincere desire to put an end to the crisis which has been dividing their country and from a not unhealthy upsurge of nationalism. The Laotian leaders must in the end be given some latitude to determine the foreign relations of their country with a healthy regard for their geographical situation. While we agree that the trip to Peking may have been premature and that it might have been preferable to have delayed it until the results of the detailed negotiations were known the final test of the R.L.G.'s ability to come through with a settlement which is satisfactory to them and reasonably satisfactory to the West will be in what comes out of the detailed negotiations. A few expressions of encouragement and confidence from their Western friends might therefore serve to strengthen the R.L.G.'s stated determination not to strike a bargain, which would be too unrealistic or dangerous for the future of Laos, just for the sake of unity.

3. We would not want you to give the impression that we are unduly concerned about United States intentions toward or aid to Laos or that we wish to interfere in their policies. We are aware of the internal political angles which the State Department must consider. We only wish them to know the general outline of Bridle's and our thinking on the problem and our hope that the Western powers won't take any precipitous action until the way ahead looks a little clearer.

4. You might also wish to assure the State Department that we are doing our best to keep the Commission from becoming too involved in the settlement at this stage and that we will continue our efforts to avoid having the Commission endorse terms of settlement which might have unfortunate repercussions on the future of Laos. (See our telegram Y-155 of August 24† to Vientiane).[85]

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722. DEA/50052-B-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en France

Secretary of State for External Affairs
to Ambassador in France

TELEGRAM YY-229 Ottawa, October 24, 1956

CONFIDENTIAL. IMMEDIATE.
Reference: Paris telegram INCHIN 769 of October 23.†[86]
Repeat London; Vientiane; Washington; Hanoi; Saigon; Phnom Penh; New Delhi.
By bag Canberra, Wellington.

FRENCH PROPOSALS FOR REDUCTION IN NUMERICAL STRENGTH OF LAOS COMMISSION

We agree with French that, because of Indian chairmanship of the Commission and provision of bulk of administrative personnel, New Delhi would be appropriate place to commence discussion of question of possible reduction in numerical strength of International Commission in Laos. While we do not think, for reasons outlined in our paragraph 4 below, that reduction in essential Commission activities can be contemplated at this time, the French and Indians may find it possible to explore ways of reducing the number of less essential activities and personnel. We also think that it might be useful for the French to consult with the United Kingdom before commencing discussions with the Indians.

2. The French will be aware that we have been interested in reduction of personnel commitments in the three Commissions ever since the basic regroupment and withdrawal of

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[85] Malgré les efforts du Canada, la commission a adopté à l'unanimité, le 24 septembre 1956, la résolution de compromis proposée par l'Inde et qui accueillait favorablement (mais n'avalisait pas) l'accord conclu par le Pathet Lao et le gouvernement royal du Laos. Pour le texte, voir *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July, 1955-16 May, 1957*, p. 57.

Despite Canadian efforts, on September 24, 1956, the Commission unanimously adopted an Indian compromise resolution which welcomed (but did not endorse) the agreement reached by the Pathet Lao and the Royal Laotian Government. For the text, see *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July, 1955-16 May, 1957*, p. 57.

[86] Le télégramme de Paris Inchin 769 signale que l'hostilité des parlementaires contre les dépenses françaises en Indochine avait forcé le Quai d'Orsay à procéder à un « rigorous, item-by-item examination of basic French interests and responsibilities » dans la région. Par suite de cet examen, les autorités françaises ont décidé de procéder à une « severe reduction in the size and activities » de la mission française de liaison, dont l'effectif comptait 200 personnes et qui soutenait la CISC au Laos.

Paris telegram Inchin 769 reports that Parliamentary hostility to French expenditures in Indochina had forced the Quai d'Orsay to undertake a "rigorous, item-by-item examination of basic French interests and responsibilities" in the region. As a result, French authorities decided to seek a "severe reduction in the size and activities" of the 200-strong French Liaison Mission supporting the ICSC in Laos.

troops took place. We are convinced that the time has long passed since the Commission in Cambodia has served a constructive role and we hope, since the French are now asking for our understanding, they will give us an assurance that they will not oppose elimination of the Cambodian Commission. We consider that the Laos and Vietnam Commissions continue to serve useful purpose although we are keeping under constant review possibilities of reduction of activities and personnel. We are, of course, willing to discuss the question at any time but we cannot see our way clear to promise support for the French until the views of the various interested parties and governments are known and the Commission has had the opportunity to study all the implications involved in such a move.

3. With regard to Laos we consider that among the factors which would tend to make us favour a reduction proposal are:

(a) our desire to reduce our personnel commitments in Indochina

(b) our desire to see the Geneva Agreement for Laos satisfactorily implemented by the parties with the Commission's role kept to a minimum if possible

(c) our understanding of the heavy French financial and personnel problems

(d) our common concern with the French over the heavy costs of operating the Commissions. The common pool fund already owes us close to one million dollars and we have had no assurances to date that early repayment can be expected.

4. The following factors, however, in our opinion weigh against any proposal for a reduction of Commission strength until the way ahead can be charted more accurately.

(a) We think Commission influence tends to support moral claim of RLG to reintegrate Northern provinces and that presence of Commission teams in North has prevented overt Vietminh intervention.

(b) Negotiations on the details of a political and military settlement are still in progress with the outcome by no means certain. If the parties reach a settlement there may be a continuing and perhaps increased short term role for the Commission to play in assisting in and observing its implementation. If settlement is not reached the Commission may need all its resources to try to prevent a troubled situation from getting out of hand.

(c) We agree that teams in Southern Laos are not serving a very useful purpose as far as Commission work is concerned but we think they give an opportunity for our officers to assess extent of Pathet Lao infiltration in the South. The French will be aware, however, that these posts were established by the agreement and are retained as a balance for the teams in the Northern provinces. We have reason to think that the Poles, who are not entirely happy about the continued presence of Commission teams at points such as Houei Thao which are not provided for under Agreement, would accept elimination of Southern team sites only on condition that an equivalent number of Northern sites were also closed. If Southern team sites were abolished we would have to make other arrangements for continuation of our officer rotation scheme. We consider it essential for the health and well being of our personnel that they do not remain too long on the more rigorous and difficult teams in the North and Vientiane is too crowded to provide an alternative to the Luang Prabang, Savannakhet and Pakse sites as a needed light duty centre.

(d) The strength of the headquarters staff of the Canadian delegation has always been kept to a minimum sufficient to handle the quite heavy volume of work. In fact, when members of the staff are absent for health or leave reasons headquarters is often understaffed.

(e) We do not think that Laotians have sufficient experienced staff to replace French Liaison Mission personnel even at the most junior and routine tasks.

(f) We are, in principle, against having the Commissions assume responsibilities for their own logistic support.

(g) We wish to avoid giving the impression at this stage that the Commission considers a settlement has been reached. Reduction in the strength of Commission personnel before the detailed negotiations are completed might lend weight to this point of view.

5. Paris: Please give our views to the Quai d'Orsay and tell them we will welcome further discussions with them on the subject.

6. London and Washington: Please note that French have not informed other governments of their plans although we hope they will consult the United Kingdom. We think, therefore, that you should not raise the question with the Foreign Office or State Department at this stage unless you can see a strong argument for doing so. If the Foreign Office or State Department should raise the question with you please give them our preliminary views as outlined above.

7. New Delhi and Vientiane: We do not think you should raise the question with the Indians at this stage but if they should approach you please express our views along the general lines given above. We will appreciate your comments and suggestions.

8. Hanoi and Phnom Penh: Your views on French proposal will be welcome.

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723. DEA/50052-B-6-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

DESPATCH Y-1295 Ottawa, November 2, 1956

CONFIDENTIAL. CANADIAN EYES ONLY.
Reference: Your telegram No. 1963 of October 31/56.[87]

LAOS AND THE FUTURE OF THE INTERNATIONAL COMMISSION IN THAT COUNTRY

We are grateful for the attention you have given, following Mr. Alan Dulles' return, to the question of the future of the International Commissions in Indochina. It has been most helpful to have the views of Mr. Dulles, Mr. Robertson and Mr. Young as reported in your telegram No. 1887 of October 22,[88] your personal and confidential letter of October 27† to Mr. Holmes and your telegram under reference, and your own comments on these views. As suggested in your letter of October 27 it might be helpful if we could shortly send you a clear and up-to-date statement of the Department's views on the present position and prospects in the three Indochina states, which you might use in your dealings with the State Department in the days to come. In the meantime we are sending you in this despatch a statement of our views on Laos and on the future of the Commission there, in order to assist you in discussing this matter at the present time when the negotiations regarding a settlement appear to be nearing a decisive stage.

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[87] Voir/See Document 666.

[88] Voir/See Document 665.

2. You might use as a starting point Mr. Robertson's interest in Mr. Bridle's views on the role of the Commission in Laos. Both we and Mr. Bridle, who is here now, very much appreciate the generous terms in which Mr. Robertson expressed this interest. In offering his opinion Mr. Bridle would like to make clear that he considers that any special interest it may possess derives only from the fact that he is in a position to appraise the Commission from the inside.

3. Mr. Bridle agrees with Mr. Alan Dulles' view that the Commission in Laos is discharging an important and useful function. At the same time he feels that during the past few months there has been a shift in its internal balance which is of some significance in the context of current developments and in relations to its future role. The Commission has always been weak in one important respect: its inability, mainly because of Pathet Lao obstruction, to penetrate freely into the northern provinces to check on Vietminh aid in arms and personnel. At the same time, it has done two useful things: it has been instrumental in preventing large-scale fighting, which might have jeopardized the stability of Indochina as a whole; and it has exerted its official influence in the direction of a proper settlement. The shift in its internal balance, which relates mainly to the question of how to effect a settlement, took place after the failure of the Pathet Lao to accept the January 7 resolution.

4. In joining in that resolution, Mr. Bridle suggests, the Indians went a considerable distance toward meeting the Canadian view on the question of a settlement and stretched themselves by supporting the resolution in the face of continuous and vehement Polish opposition culminating in formal abstention. Only once before had the Commission reached a decision through a process other than that favoured by the Indians and for sometime now, in principle, by the Poles — unanimity through compromise; on that occasion also the Indians had split with the Poles. If there is no political settlement now the future pattern of Commission action is likely to be rather different. The Poles (unless, as seems unlikely, recent changes inside Poland cause a softening of their attitude in the Commissions) would probably take as tough a line as they have for the past several months. The Indians, while not supporting the Poles 100%, would never revert to the January position regarding a settlement, and on all major military problems, which would again become active, the Indian view would continue to be considerably closer to that of the Poles than to that of the Canadians. In short, especially in the climate which would exist, the Canadian delegation would find it much more difficult than heretofore to bring about the right sort of Commission action and would probably be forced ineffectually into the minority on many major issues. The Commission's presence would still be of real value; indeed, so long as the Geneva Agreement is to be upheld and so long as the international authority derived from it is to be employed in an effort to keep the peace in Laos, the Commission's presence would be essential. At the same time, its usefulness, especially from the Western point of view, would be reduced.

5. From a statement of Mr. Bridle's views on the role of the Commission as outlined above (in which, incidentally, we concur) you might lead into a friendly discussion of the present position and prospects in Laos. For this purpose you may find our views, as outlined in the following paragraphs, of assistance.

6. We understand and, to a considerable extent, share United States misgivings regarding the type of settlement which is emerging in Laos. It certainly goes well beyond the sort of settlement which we have always envisaged and tried to bring about. Its lip-service to typically Pathet Lao ideals, its spelling out of a neutral foreign policy, its specific allowance of political freedom for Pathet Lao organizations and its provision for a national union government with Pathet Lao participation are all features which are alien to our concept of an

appropriate settlement. We are concerned, too, lest the settlement and its implementation fail to bring about truly effective restoration of the northern provinces to RLG control and we would wish a settlement to put an end at least to overt Vietminh interference in Laotian affairs.

7. We appreciate that the apparent desire of the Communists for a settlement in Laos must be related to over-all policy considerations such as a desire to liquidate areas of conflict between East and West and to assume a posture of reasonableness, particularly vis-à-vis the uncommitted nations; a desire to increase the area of Communist China's influence in Southeast Asia; and an interest in adding to the Indochina patchwork another state with neutralist leanings. We also appreciate that the Indians, while not fully sharing these Communist aims, have, as Mr. Young points out, been fostering the development of neutralism in Laos and Cambodia, and that Mr. Sen's efforts to bring the parties together in Laos have played a part in facilitating a settlement of the kind that is now emerging.

8. At this juncture, when the talks in Vientiane seem to be making slow progress and Souvanna Phouma is trying to get Souphanouvong to come down so that outstanding issues may be settled with a minimum of delay, we cannot avoid reflecting that it is possible that the talks will end in failure. While this is a matter over which we have no control, it is a question of direct importance to us because of our continuing responsibilities as a member of the International Commission. We have therefore been giving considerable thought to the alternative situations which would face us depending on whether there is a settlement or not. While this consideration has related mainly to our work on the Commission, it has been impossible to divorce certain more general considerations from our analysis. In discussing with the United States authorities the question of the future of the International Commission in Laos, it would perhaps not be inappropriate to mention some of the considerations both general and relating to the work of the Commission, which seem to us to be of importance at this time. In doing so we recognize, and would wish to emphasize, that the United States has a direct interest and responsibility in Laos of a very different order from that of Canada, and we do not presume to do more than offer an exchange of views on the same friendly basis as we have frequently talked these matters over both in Washington and in Vientiane.

9. If a settlement is reached it may be expected that peace will return to Laos, that the Fighting Units of the Pathet Lao will cease to exist as an independent force and will either return to civilian life or be integrated into the Laotian National Army, that the Pathet Lao will emerge as a political force in Laos proper, and that the northern provinces will again fall under the administration of the Royal Government. At the same time, some further orientation of Laos in the direction of a neutral foreign policy is likely to occur.

10. The extent to which such a settlement would be satisfactory from the RLG point of view, and least objectionable from the Western point of view, would depend partly on the actual terms of the final settlement and partly on the effectiveness of its implementation. It would, for example, be important that the process of regroupment and disposition of Pathet Lao forces take place in an orderly fashion and suitably in step with the process of restoration of the Royal Administration, and that minimum opportunities be given for Pathet Lao soldiers to go "underground", with arms. In this connection we have always seen a certain advantage in a substantial number of such soldiers being integrated with arms into the LNA; the sort of arrangement on this which we understand the RLG has in mind would seem to provide reasonable safeguards against subversion of the LNA by Pathet Lao elements. It would also be important that, since there would evidently be Pathet Lao representation in the government, they at least not be given any essential portfolio. On foreign policy, it would be important that there be no re-orientation going beyond the scope and

intent of the policy declarations already made by the Royal Government, and that any further move toward rapprochement with North Vietnam be accompanied by cessation of direct DRVN assistance to the Pathet Lao.

11. A settlement, as finally agreed and worked out, might be less than satisfactory from these or other points of view, and the extent to which the Commission would be expected, or able, to ensure adequate implementation would be limited. Nevertheless, in spite of its willingness hitherto to discuss a settlement first in terms of the questions of importance to the Pathet Lao, the Royal Government seems to be alert to the important considerations involved in ensuring that a settlement meets their minimum requirements, and it may be that, with some quiet advice and encouragement from their friends inside and outside the Commission, they would be able to arrange matters in a reasonably practical fashion.

12. It is no doubt the over-all effect of a settlement rather than any specific aspect which is of primary concern to the United States Government. Before discussing the problem in these terms we will give our analysis of the situation which would exist if the other alternative — failure to reach a settlement — should materialize.

13. There would almost certainly be a renewal of fighting in the north. This would probably be on a small scale, as hitherto, but the possibility of more serious hostilities cannot be ruled out. While we cannot predict Communist military intentions in Laos in the event of a breakdown of the talks, it is not improbable that the Royal Government, even under Souvanna Phouma's leadership, would again incline seriously toward military action on a sufficiently large scale to enable them to dominate and eventually take over the whole of the northern provinces. The United States authorities are probably aware (though the information is being carefully guarded by those who have it) that just such action was being seriously considered while the present talks were in progress and Souvanna Phouma was in France.

14. Souvanna Phouma might feel compelled to resign if he failed to bring about a settlement. It is, of course, possible that he would be prepared to form another government and that he would be called upon to do so. It is equally possible or perhaps more likely, that the choice would fall on another. Whether this would be Mr. Katay or, in the event of his return, Petsarath, or someone else is difficult to say. A contender who could not be ruled out, at least for greater influence and a place in the government, is Bong Souvanouvong. Mr. Katay's chances could presumably depend upon the extent to which he was able to recoup his present relatively low political fortunes by capitalizing on Souvanna Phouma's failure.

15. We recognize that the political situation is likely to be somewhat confused even if there is a settlement, partly because of the unpredictable impact of a return of both Petsarath and Souphanouvong to public life, partly because of the interests and claims of other leaders such as Mr. Katay and Bong Souvanouvong, and partly because, long before the supplementary elections, the present government might have to resign because of the technicality which could be brought into play when the constitutional amendment debarring deputies who are members of the government from voting on the approval of a government comes into force. (The present government was approved by a vote in which such deputies did participate.)

16. At the same time, the likelihood of a political crisis would be greater in the absence of a settlement, and it seems to us that the results of such a crisis would more probably than not be unhappy. There is the slight possibility that a somewhat left-wing government, including Bong Souvanouvong, would emerge; this might lead to an even more radical effort to come to terms with the Pathet Lao. The more probable result would be a government, whether led by Mr. Katay or by Souvanna Phouma, which would adopt a stiff atti-

tude toward the Pathet Lao. Unable to come to terms with them, and perhaps angered with them because of this, they might try taking their case to the United Nations and before long revert to their earlier disposition to settle the issue by force.

17. A further result of a breakdown in the talks, we believe, would be a determined propaganda offensive by the Communists designed to blame failure on so-called "reactionary elements" within the Royal Government and, though this would be manifestly unjustified, on the United States as well. We have clearly detected, in the attitude of the Polish Commissioner, a disposition to regard this as a desirable "second best" if a settlement along present lines cannot be achieved.

18. These probable results of failure to reach a settlement, combined with our appreciation of our position in the Commission in the event of such failure, lead us to view this prospect with some misgiving. We are also inclined to think, though this is not a field in which we are as qualified as the United States authorities, to form a judgment, that, on balance, the consequences of a settlement along present lines, providing the balance of the terms are worked out with reasonable good sense, would be preferable to the consequences of a breakdown. Fighting in Laos would be ended, the country would be reunified, the Laotians would feel that they have been rid of a painful burden which prevents them from freely pursuing their national destiny, and the West in general, the United States in particular, would gain prestige among uncommitted Asian countries for its readiness to promote a peaceful settlement. This could be of considerable importance at a time when Communist China, and the U.S.S.R., are doing their utmost to persuade neutrals, particularly in Asia, that they are prepared to act in accordance with the five[89] principles whereas, in their view, some Western countries are not. Rumours of the apparent readiness of China to settle the Burmese border issue on a reasonable basis is a case in point. All things considered, we are inclined to hope that the critical attitude of the Crown Prince, and what we believe to be a disposition on the part of Mr. Katay to be somewhat skeptical of the possibilities of a settlement, will act within the Royal Government in a manner which will encourage Souvanna Phouma to negotiate sensible terms but which will not carry to the point of contributing to a breakdown.

19. An immediate problem which may cause some difficulty is the question of a union government with Pathet Lao participation. The Royal Government are committed to this in general terms but the Pathet Lao may want to get a more precise commitment in more concrete terms as part of the final settlement. Because of the difficulty of committing any future government too precisely, and since any government would have to be approved by a vote in the Assembly, the Royal Government cannot, and probably should not, go very far to meet any current Pathet Lao demands on this point. On the other hand, the Pathet Lao's desire not to see this aspect of the settlement indefinitely frustrated, and their wish to have some sort of assurance that it will be implemented following the supplementary elections, is understandable. Undesirable though this proposal is from our point of view, the Royal Government would be placed in an invidious position if the negotiations broke down as a result of their failure to make every possible effort to satisfy the Pathet Lao on this provision to which they are committed at least in principle. It would therefore seem desirable that any reasonable formula which Souvanna Phouma and Souphanouvong may be able to arrive at on this point be accepted by the two sides.

20. The long-term results of a settlement along present lines are certainly difficult to predict. As against the internal weakness to which Mr. Young rightly points as a factor

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[89] Voir document 613, note n° 10 en bas de page.
See document 613, footnote 10.

making it difficult for countries like Laos to remain really neutral, one might set the genuine nationalistic aspirations of most of her present leaders. Also, the long-term prospects would seem to be the brighter if it proves possible for Laos's friends in the West to give the Royal Government continuing, and perhaps increasingly effective, help in combatting subversion and improving economic conditions. Perhaps the presence of reliable non-communist leaders such as Mr. Katay will have the effect of making it somewhat less likely than we fear that the inclusion of Pathet Lao members in the government will lead Laos toward pro-communist policies.

21. As I have said, these views, though they are in a field which is beyond our official scope as a member of the Commission, arise out of our consideration of the prospects which will face us in the Commission in the event of a settlement or its absence. They are relevant to our own problem in that they bear on this question, which is of considerable importance to our future role in Laos. The most important consideration of course, is the future of Laos itself. On this point the United States authorities are ideally placed to form the best possible judgment, especially since they are now represented, and were previously represented, by such highly qualified Ambassadors as Mr. Parsons and Mr. Yost. The views we have expressed, some of which are necessarily tentative, are intended merely for discussion with the United States authorities and not as views which we would in any way wish to thrust on them.

22. The substance of this despatch has been discussed with Mr. Holmes, who is now in New York, and I am confident it carries his judgment. I leave it to your judgment whether to discuss our views with Mr. Robertson or with some other member of the State Department.

23. The despatch has been marked "Canadian Eyes Only" because some of the earlier correspondence to which it refers has been so marked. Please feel free to discuss anything in this despatch with the United States authorities.

A. MENZIES
for Secretary of State
for External Affairs

724.

DEA/50052-B-6-40

Le sous-secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Under-Secretary of State for External Affairs
to Ambassador in United States

LETTER Y-1371

Ottawa, November 16, 1956

CONFIDENTIAL

Reference: Our Despatch No. Y1295 of Nov. 2.

THE PROSPECT OF A POLITICAL SETTLEMENT IN LAOS

When talking to the United States authorities along the lines of our despatch under reference you might also wish to indicate that, like them, we are concerned about the Royal Government's decision, reported in Vientiane's telegram No. 402 of November 3,† to issue joint communiqués seriatim on the points under discussion in the Mixed Political Committee. We had been led to believe that the Royal Government would go no further than to reach private agreement on each item in Committee, leaving formal agreement until all points had been satisfactorily settled. Since, in the interests of a settlement, the Royal Government has agreed to issue communiqués seriatim, it is of some small comfort that Ngon Sannanikone has told our Commissioner that it is understood, by both sides, that agreements reached on particular points are entered into only as part of a complete and final settlement. It is somewhat surprising that this is apparently not being made clear in writing in the communiqués; the Royal Government still seem to place great store on "mutual confidence" as a means of bringing about a settlement.

2. We have been reflecting on the views Mr. Katay has recently been reported as expressing regarding the chances of a settlement being reached and regarding the likelihood of implementation proving difficult. This would seem to emphasize the importance of the Royal Government negotiating sensible and realistic terms with respect to such matters as the effective restorations of the northern provinces to its control, the disposition of Pathet Lao forces, and any Pathet Lao representation in the government. We can understand Souvanna Phouma wishing to go as far as possible to meet the Pathet Lao in order to bring about a settlement. This would also have the effect of making the Pathet Lao more prone to make the settlement work — i.e. to implement it. On the other hand, if the Royal Government does not negotiate terms which are realistic, practical and clear as to their intent, the Pathet Lao might assert a one-sided interpretation while the Royal Government, in the face of such obstruction and because they would feel they were being represented as having agreed to more than they had meant to, might revert to a high-handed attitude which could have unfortunate repercussions. In short, it seems to us that in the remainder of the negotiation the Royal Government should strike a proper balance between their declared aim of sustaining mutual confidence and the need to negotiate constructively and with an eye to the future.

3. While developing the general line in our despatch under reference in conversation with the Americans, you might wish to have these further views in mind. Our reason for mentioning them is not that there is any need to make the Americans aware of them; it is simply that we wish them to understand that we are alert to such considerations.

4. We would also like to emphasize that the material in this letter and in the despatch under reference is intended only as an exposition of our present views on the Laotian situation and the future of the Commission there for your use in conversation with the Americans. You will also note that some of our views, particularly regarding the future of Laos following a settlement, are quite tentative. We naturally wish the Americans to be aware of the difficulties we anticipate, both in the Commission and more generally, in the absence of a settlement and of our general point of view. But we leave it to your judgment as to how far, in the light of known United States views, to go in advancing our opinion on this or any other aspect of the Laotian problem. We would hope that they may see some merit in our views (to the extent that they are at all different from theirs) and we would like the frankest possible exchange of ideas. At the same time we do not want to give the impression that we are what might be regarded as "defeatist" on Laos. Perhaps the best way of striking the right note would be to refer at an early stage to our basic attitude as outlined in paras 6 and 7 of our despatch under reference and to take the general line that, under circumstances as they have developed, the question is essentially one of making the best of an imperfect situation.

P.A. BRIDLE
for Under-Secretary of State
for External Affairs

725. DEA/50052-B-6-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador to United States
to Secretary of State for External Affairs

DESPATCH NO. 17 Washington, January 3, 1957

CONFIDENTIAL

Reference: Our telegram No. 10 of January 3, 195[7].†

LAOS — BRIDLE'S CONVERSATIONS AT THE STATE DEPARTMENT

Bridle was at some disadvantage yesterday when he called on Walter Robertson since our only knowledge of the most recent developments in Laos was a very short AP despatch outlined Saigon, Jan. 1, reporting the creation of a "Government of National Unity".[90] For reasons which we fully appreciate, Vientiane telegrams Nos. 444† and 447† were not received until this morning. The State Department had received reports from Vientiane concerning the announcement of the RLG agreement with the Pathet Lao but we had only the briefest outline of what had occurred from Miss Byrne before Bridle saw Robertson.

2. Robertson was obviously very disturbed about these most recent developments. He said that the "realities of the situation" were "very bad" and that the agreement announced was "much worse" than had been expected even a few weeks ago. He reiterated several times the fact that there was nothing in the Geneva Agreements requiring a coalition government or any of the concessions which have been made by the RLG and that, by "flagrantly disregarding" the terms of the Geneva settlement for a prolonged period, the Pathet Lao had been able to obtain concessions which had not in any way been contemplated at Geneva. Robertson referred to the recently announced agreement as a step towards turning Laos over to the Pathet Lao, the Vietminh, and ultimately to international communism. He insisted that it was necessary to proceed on the premises that the Pathet Lao were not acting in good faith in negotiating the present agreement and would not carry out their part of the agreement in good faith. He said that, if the past were any guide to the future, the present prospect in Laos was dreary indeed. In this connection he referred to the Communist record in Korea and in Vietnam, where the Communists had carried out their obligations only when it suited their purposes and had employed the machinery of international agreements as a facade of legality for advancing their own interests.

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[90] Le 28 décembre 1956, le premier ministre du Laos et le leader du Pathet Lao ont annoncé les principes de la formation d'un gouvernement de coalition, et ceux du règlement des questions en suspens. Pour le texte du communiqué, voir *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July, 1955-16 May, 1957*, pp. 66-67. L'accord est tombé à l'eau à la fin de mai 1957, quand l'Assemblée nationale du Laos a refusé d'approuver les politiques de Souvanna Phouma à l'égard du Pathet Lao et défait son gouvernement.

On December 28, 1956, the Prime Minister of Laos and the Leader of the Pathet Lao announced the principles for the formation of a coalition government as well as principles for settling outstanding issues. For the text of the communiqué, see *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July, 1955-16 May, 1957*, pp. 66-67. The agreement collapsed in late May 1957 when the Laotian National Assembly failed to approve Souvanna Phouma's policies toward the Pathet Lao and defeated his government.

3. In this connection Robertson did not complain specifically about the attitude of the International Commission and repeatedly expressed his appreciation for the good work down by Canada. Significantly, he did not comment with any bitterness on the policies of the Indians or criticize their motives, although he did point out that the consequences of the policies they were pursuing were to facilitate the furtherance of Communist objectives.

4. In replying to Robertson's enquiries as to Bridle's view of the most recent developments and as to the likely attitude of the Commission, Bridle said that we would of course have to obtain more detailed information before a fair assessment could be made. He said that Canadian influence in the Commission had been directed toward getting a settlement without frills. The current agreement apparently involves provisions and concessions which we would regard as neither desirable nor necessary for the carrying out of the Geneva settlement. At the same time, this is the sort of agreement into which Souvanna Phouma has felt it necessary to enter in order to negotiate a political settlement, and our recent efforts have been directed along lines similar to some of the Americans' own interventions, toward persuading the RLG to ensure that the settlement includes detailed and precise commitments by the Pathet Lao with respect to restoration and integration. The present agreement is inadequate in this respect, and the question remains as to whether, in fact, the Pathet Lao forces would be effectively dissolved and whether the Royal authority in the two northern provinces would be effectively restored.

5. Robertson's enquiry included a thinly veiled hope that the Commission might be able to block the settlement on the grounds that it was contrary to Geneva. Bridle considered this impracticable unless there were some provision flagrantly opposed to the intent of Geneva. He thought we would certainly, at the appropriate time, make clear in the Commission our concern that the agreement be fully and faithfully implemented by the Pathet Lao with respect to their forces and the two northern provinces, and he felt we could try to get the Commission to express some such view when the Co-Chairmen are informed of a political settlement. On the future role of the Commission, Bridle took a line similar to the United Kingdom view recently reported from London, stressing that we would be alert to every possible way of influencing the Pathet Lao to honour their obligations, and adding that we would naturally like to be freed of our responsibilities in Laos as soon as we honourably can.

6. In reply to Robertson's query concerning Souvanna Phouma, Bridle said he thought Souvanna Phouma had three main motives which activated him in relation to the Pathet Lao problem: first, he wanted to be the man to solve the problem of the Pathet Lao; secondly, he had a dynastic interest in improving the position of the Souvanna family; and thirdly, while he might privately concede that the provisions of the settlement with the Pathet Lao might not be satisfactory from the point of view of Laos' friends — particularly the United States — he probably believes that he can use his authority to see that the agreement is properly implemented and has in mind, as a last resort, the use of force against the Pathet Lao if it becomes clear that they are not going to honour their obligations. Bridle said that, though the course pursued by Souvanna Phouma so far and his estimate of future possibilities might be fraught with more difficulties than he realizes, he considers him fundamentally more a friend of the West than the United States have been led to believe as a result of recent developments.

7. In reply to Robertson's question as to whether the present "bad" settlement was preferable to no settlement at all, Bridle said that he could only give a personal view and that the question was difficult since both alternatives have unattractive features. He thought that, if one had to choose, the former would be the least unsatisfactory course in the long run, assuming that the RLG made no outrageous commitments on coalition and that the agree-

ment would be fully implemented with respect to the northern provinces and the Pathet Lao forces. In assessing a matter like this, one always came up against the fact that one can only deal through the persons in power in Laos both in respect of a settlement and with respect to countering any ill effects. No settlement at all at this stage would cause much bitterness and would mean a continued division of the country, probably accompanied by a resumption of fighting. While the Vietnamese pattern might in many respects commend itself to Western governments, it was not one which the RLG itself had ever shown any disposition to accept.

8. Rae asked Robertson what the policy of the United States was likely to be in the light of the agreement now reached. Robertson said that the question of continuing United States aid to Laos would probably be decided by the Congressional Committee concerned, and would depend on the extent to which the Communists achieve a position of influence in the Government and the manner in which the fighting units of the Pathet Lao were integrated in the LNA. He said there was a possibility that aid might be discontinued, but he added immediately that this would, of course, be "one sure way of losing the ball game". Bridle said that, in view of the danger of Laos turning to the Communists for economic and financial support, it might be that the situation could only be saved by continuing support from the United States. Robertson fully agreed and clearly had this much in mind. At the same time he added that there were "limits to how long you can go on playing that kind of game."

9. After the interview with Robertson further discussions were held with officers of the Office of Southeast Asian Affairs, which consisted mainly of an exchange of views on more detailed matters. This provided an opportunity for adding some gloss to the talks with Robertson.

10. Kocher, the Deputy Director, asked whether there would be any firm point reached when Souvanna Phouma would refuse further concessions. Bridle said that he was not very hopeful that he would reach such a point except to the extent necessary to carry his Cabinet and the Assembly. Souvanna Phouma's handling of the negotiations reflected his confidence in his ability to carry Souvannavong and in Souvannavong's ability to carry the Pathet Lao. If he found that his confidence in this regard was misplaced, he was quite capable of taking a really tough line with the Pathet Lao.

11. Kocher asked if Bridle thought that Souvanna Phouma would resign should the Assembly refuse to accept the agreement he has signed. Bridle thought he would, but it was difficult to predict what kind of a situation might emerge from this if he did so. There were Katay, and Phoui and Bong (an unattractive combination), but Souvanna Phouma might try to form another government if called upon to do so. In this connection Kocher commented that Souvanna had appeared to have acted on his own initiative in working out an agreement which involved coalition with the Pathet Lao: he had been under no particular pressure to do this from his own cabinet. Bridle agreed but said that pressure from the Pathet Lao was probably one factor.

12. From the discussions generally we gather the impression that the State Department, while very seriously disturbed about the turn of events in Laos, will not recommend any immediate or drastic action with respect to the curtailment of United States aid, though they will go ahead with a reappraisal of their policy in this regard as a result of recent developments. We would gather from the nature of their enquiries that they are considering whether they would make one further approach to Souvanna Phouma (whom Robertson thinks may be headed for Masaryk's fate) or whether they should, through a little quiet work amongst the members of the Assembly endeavour to bring about the rejection of

Souvanna Phouma's plan by the assembly and hence the resignation of Souvanna Phouma as Prime Minister. These things were not said at any time, and Bridle did not suggest any course of action to the State Department officials.

13. The conversations were cordial throughout and the main emphasis was on our common problem, for which the United States has the prime responsibility and knows how best to cope with it.

S.F. RAE
for Ambassador

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726. DEA/50052-B-6-40

Le sous-secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Under-Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

LETTER Y-2 Ottawa, January 4, 1957

SECRET

Reference: Our Telegram YY 362 of December 14, 1956.†

LAOS: THE COMMISSION AND RELATION TO A POLITICAL SETTLEMENT

If the Laotian assembly approves the agreement signed on December 28 by Souvanna Phouma and Souvannavong we may be faced quite quickly with the necessity of taking a position on the future of the Commission in Laos. We have been giving considerable thought to this question and Legal Division has prepared a useful memorandum†, a copy of which is attached, which outlines in some detail the various legal aspects of the problem.

2. You will note that paragraph 2 of the memorandum outlines two possible attitudes we could take towards the settlement and the future of the Commission:

(a) The Commission could consider that the political settlement has been achieved when the documents which the parties assert constitute the settlement are brought to its knowledge, or

(b) Alternatively, the Commission could consider that the settlement has been achieved only when it has been satisfactorily implemented by the two parties.

3. We are inclined to think, and we have noted that you and Mr. Sen are also of this opinion, that it might be dangerous for the Commission to adopt the first of the two policies listed above. As long as there is any danger of hostilities breaking out again in the northern provinces (and this danger cannot be ruled out till the Royal administration has been re-established and the Pathet Lao troops have either been disbanded or integrated) we think the Commission should remain. We are, of course, anxious to complete our job in Laos as soon as possible but we would not want to press for a quick withdrawal at the risk of leaving an explosive situation which the continued presence of the Commission might help to keep in check. The Prime Minister's comments, contained in your telegram No. 435†, to the effect that if the assembly accept his proposals the International Commission will no longer be concerned, and any Pathet Lao who fail to comply with the agreement would be treated as rebels and would be subject to army and police action, would seem to us to indicate that the Royal Government has not ruled out the possibility of using

force if necessary to subdue any dissident Pathet Lao groups which might not accept the terms of settlement. While an excuse for action of this kind might be found on legal grounds, we would not like to see it take place because of the possibility of renewed hostilities, which might even involve the Vietminh, breaking out in the north.

4. When discussions concerning the future of the Commission take place, we think you should adopt the line that we would not be adverse to a reduction of the Commission's teams and personnel but that we think the Commission should remain until the restoration and integration have been completed and supplementary elections held. Your suggestion that all teams in the field might be withdrawn and two mobile teams retained in Vientiane seems reasonable provided that adequate helicopter and light aircraft support for these teams would be ensured. You, however, will best be able to judge from the local situation whether you would wish to put forward this proposal. If you think it is practical and practicable we would have no objection to your proposing it.

5. We are inclined to think that the Commission should not pass judgement on any settlement which does not flagrantly violate the terms of the Agreement on the Cessation of Hostilities, as such a function is not directly provided for in the Geneva Agreement. The Legal Division memorandum supports this view and provides arguments which you may find useful should this question come up in the Commission. You will note, however, in paragraph 9 of the memorandum, that the Commission has, to a certain extent, the duty to report to the Geneva powers that agreement on the settlement has been reached and could take this opportunity to pass some sort of judgement on the settlement. We would prefer, however, that any report sent to the Geneva powers on the settlement would confine itself to a factual account of what has taken place and a hope that the settlement can be successfully implemented. The time for the Commission to pass judgement, in our opinion, would be after the successful implementation of the settlement and not at the time the paper settlement is signed or approved by the parties.

6. The Sections in the Legal Division memorandum concerning the future of the International Commission should be of considerable assistance to you when discussing the question in the Commission. You will be receiving, in the same bag, details of our latest approach to the Indians concerning the wind-up of the Cambodian Commission. You may, if you wish, show a copy to Mr. Sen of the memorandum given to Mr. Pillai in Washington which explains our reasons for wishing to dissolve the Commission in Cambodia.[91] We may find that many of these arguments will be applicable in Laos in a few months time and so it can do no harm to let the Indians know in advance that we are against keeping commissions in the field indefinitely when their task is completed. The memorandum of April 6,† referred to in para 17 of Legal Division's memorandum of December 28, is summarized in our telegram YY 62 of April 9† to Cambodia which was repeated to you as YY 84†.

7. We will be grateful if you will continue to keep us informed of developments both concerning the political settlement and the future of the Commission and we will try to give you whatever assistance we can in meeting problems as they arise. Your reports up to now have been most helpful and we have found your views on the situation have been generally along the same lines as those of the Quai d'Orsay and the Foreign Office. We share with them and you the opinion that it would be a mistake on the part of Western governments to react too strongly to the settlement. We do not propose, however, to make further representations to the State Department as Mr. Bridle was able to talk to officials in

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[91] Voir/See Document 709.

Washington on January 2 (reference Washington telegram 10 of January 3,† a copy of which has been referred to you) and among other things was able to suggest that in view of the danger of Laos turning to the communists for economic and financial support, the situation could only be saved by continuing support from the United States. The point was apparently well received by the State Department and we think that they are completely aware of the dangers which might result from any withdrawal or partial withdrawal of aid to Laos. The State Department have given assurances that they do not intend to do anything precipitate. We must remember, however, that Congress has reassembled and that the State Department faces internal political problems which do not always confront other governments in the same manner.

JULES LÉGER

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727. DEA/50052-B-40

Le commissaire de la Commission internationale de surveillance pour le Laos au secrétaire d'État aux Affaires extérieures

Commissioner, International Supervisory Commission for Laos, to Secretary of State for External Affairs

TELEGRAM INCHIN-38 Vientiane, April 10, 1957

CONFIDENTIAL. PRIORITY.
Reference: Your tel Y143 Mar 27.†
Repeat Washington, London, Paris from Ottawa (Information).
By bag Canberra, Wellington from London.

REDUCTION OF LAOS COMMISSION

The problem is very difficult because there are diverting compulsions. The high financial cost of maintenance the Commission in a role which is largely indirect, potential and deterrent; the complete cutting-off of French financial support and the reluctance of the contributing powers to advance money are factors which build up strong pressure for reduction of the Commission. On the other (hand), in the political and military circumstances now obtaining, after failure to satisfy the December 28 Accord, most of the arguments against reduction set forth in paragraph 4 of your message Y229 October 24 remain valid.

2. I have talked informally with the Prime Minister about his reported pressure to get Souphanouvong to join him in requesting the Co-Chairmen to approve a substantial reduction in the size of the Commission. It seems that he has this in mind, I imagine with the encouragement of the British Ambassador. He is somewhat vague, however, about the practical implications of the suggestion. He is thinking of withdrawal of the southern team but he appeared surprised and disconcerted when I told him that it was almost inconceivable that the Poles would agree to withdrawal of a southern team without a withdrawal also from northern teams which they dislike, such as Houie Thao. The Prime Minister hastily added that he was thinking only of the inactive teams and that he would talk to the Poles. Both the Indian and Polish Commissioners deny that they have heard of any Souvanna Phouma-Souphanouvong conversations about proposing a reduction of the Commission to the Co-Chairmen, which would lead one to judge that the Prime Minister has not repeat not yet spoken to Souphanouvong about it.

3. You may recall that when, in the interests of economy, a secretariat proposal for suspension of the team at Xieng Khouang, Luang Prabang and Muong Peun was recently discussed (reference our letters 74 February 27† and 81 March 6†), the Poles were adamant against withdrawal of any team so long as the Pathet Lao question remained unresolved. This continues to be the attitude of the Polish delegation. It is subject to change, I suppose, only (from?) higher political direction. The Poles doubtless wish continuance of the southern teams both as a restraint upon the Royal Government (theoretically these sites are arms inspection points) and as centres from which they may gather intelligence. The Indian attitude, as stated to me recently by Sen, appears to be one of reluctance to try to persuade the Poles to withdraw certain teams for administrative reasons, so long as the Poles object to such a course on political grounds. It may be, however, that financial pressures will eventually compel the Indians to take a (stronger?) position so that similar consideration will ready the Russians or Chinese to endeavour to get the Polish instructions modified by Warsaw. Perhaps also Souvanna Phouma-Souphanouvong conversations might help to bring this about.

4. When it was generally assumed that there would be ratification of the December 28 Accord, I made the suggestion, in which you concurred, that in the period between ratification of the Accord and the proposed supplementary elections, consideration should be given to withdrawing all the teams and maintaining two mobile teams in Vientiane to carry out any investigations which might be necessary. Even now the southern and central teams probably could be withdrawn without jeopardizing the work of the Commission, since they are inactive and have handled no repeat no investigations within the last year. They would hardly seem to justify the cost of their maintenance. On the other hand, it seems beyond question that one could not repeat not now contemplate withdrawal of the northern teams. Here the military forces of the government and of the Pathet Lao are either in contact or in close proximity, because of the political and military tensions arising from the failure of the December 28 Accord.

5. At present there are certain serious factors which threaten the physical ability of the Commission to maintain the important northern teams. There are:

(1) The complete cessation of French financial support and some slowness of the contributing powers to provide sufficient money to maintain the Commission adequately, which has resulted in a dangerous diminishing of catering, transport and other administrative services for lack of proper payment arrangements.

(2) Apparent inability of the French to maintain in proper service the Commission's helicopters, upon which the sustenance of the teams at Houie Thao and Phong Saly are largely dependent.

(3) A certain indifference to the welfare of the teams which is displayed both by the Royal Government and the Pathet Lao.

With regard to (1), it is essential that an agreement on financing between the Indians and the contributing powers, which results in a sufficient amount of money being promptly and consistently at hand for the maintenance of the Laos Commission, should be swiftly reached. On (2), we are sending you a separate message.† With regard to (3), we are attempting to take remedial steps in consultation with the other two delegations and with representatives of the two parties. Royal Government authorities have already reacted with some apprehension to suggestions from us that the sub-team at Houie Thao will be very difficult to maintain unless all concerned cooperate so that at least the minimum acceptable living conditions for the team are ensured.

6. It is my opinion, with which Brigadier Cooper agrees, that, having regard both to the political and financial considerations mentioned above, the Commission could now withdraw the majority of its teams, maintaining only the essential ones in the North, and still fulfill the functions required by the Geneva Agreement. It would be feasible, I think, for the Commission's tasks in the vital northern areas to be carried out by the teams at Phong Saly and Sam Neua, with the latter operating sub-teams at Houie Thao and at Muong Peun (as now). All other teams in Laos, which have long been inactive, could be withdrawn and they could be reactivated, should specific need arise, by officers based in Vientiane. This would effect considerable saving in costs both of administration and transport. While feasible in our opinion, such a proposal would not seem practicable at the present time because of the attitude of the Poles.

7. It appears that the only reductions which might be made at once are certain administrative ones, the net result of which would not repeat not be of great consequence so far as financial saving is concerned. These are now being studied. I understand that the Indians never received a general policy directive, which is based upon the view expressed by Nehru that every effort should be made to carry out economies in the administration of the Indochina Commissions. To this end and consequent upon discussions which took place at the recent (group corrupt) administrative meeting of the secretaries-general of the three Indochina Commissions in Saigon, we are now examining the possibility of taking such measures:

(1) withdrawing the Indian signals teams from unimportant team sites which have commercial telegraphic communication

(2) reducing the numerical strength of team sites

(3) substituting Laotian sentries for the Indian guard detachment

(4) having the Commission take over from the French Liaison Mission responsibility for catering in Vientiane.

There could not repeat not I think be any appreciable cut in the Canadian headquarters staff in Vientiane so long as the northern teams had to be administered. Sen tells me that the pressure to effect economies is coming from the Co-Chairmen. He said that the Indian Government has told the Co-Chairmen that it will do what it can to achieve savings, but major reductions should not repeat not be expected in the present political circumstances.

[PETER] CAMPBELL

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728. DEA/50052-B-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

TELEGRAM Y-174 Ottawa, April 17, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Vientiane telegrams INCHIN 38 of April 10 and No. 40[92] of April 13.
Repeat London; Paris; Washington (Information).

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[92] Non retrouvé./Not located.

By bag New Delhi, Phnom Penh, Hanoi, Saigon from Ottawa and Canberra, Wellington from London.

REDUCTION OF LAOS COMMISSION[93]

Vientiane: Your comprehensive assessment of the problem of reduction will provide most useful background for discussions which we might have with U.K., French and Indian officials on this subject. We will let you have our comments in a separate telegram.[94] We are hesitant about approaching French as suggested in your telegram INCHIN 40 as it has been our policy to avoid direct involvement in the financial affairs of the Commission. The Indians undertook responsibility for administration and financial matters at the [1954] New Delhi Conference and, unless we would be prepared to share the responsibility with them, we think it should be left with them to work out the details of the problem with the French and the common pool powers. If, however, you think the intolerable situation to which you refer is directly affecting or likely to affect the physical wellbeing of Commission personnel in Vientiane, we would be willing to take up the matter formally with the French. In the meantime we are asking our Embassy in Paris, pending a fuller explanation of the last sentence of your telegram 40, to discuss the problem with officials in the Quai d'Orsay to obtain their version of the difficulties which have apparently arisen between the French and the Indians. We would prefer to have the French version before offering any opinions.

2. We are also reluctant to press the French to have the financial adviser in the French Embassy in Vientiane act as the French Treasury's agent for handling money paid to the French Liaison Mission by the International Commission because of fears expressed by the Vietnam delegation in January. At that time Fournier of the French Embassy in Saigon indicated to Baudouin that the French Embassy there was trying to arrange for the two million piastre monthly advance from Commission funds to be made payable to the Embassy, rather than a French Treasury official so that embassy officials could transfer the funds immediately to the South Vietnamese. Fournier expressed some fear that if the French Treasury official received these funds the Treasury might consider the money as a return for excessive French contributions in the past and keep it as partial repayment for the money which the common pool owes to the French. Would you please let us know if there would be any danger of a similar situation arising in Laos if Commission funds were paid to an agent of the French Treasury.

3. *Paris*: Would you please discuss informally with appropriate Quai d'Orsay officials the problem raised in Campbell's telegram 40 which was repeated to you. At this stage we would prefer not to give any opinion to the French but you might say that we have been made aware of the problem and would appreciate their views.

4. We would be grateful if you would also outline to the French, without leaving them a copy of the telegram, Campbell's assessment of the possibility of reduction of the Laos Commission as outlined in his telegram INCHIN 38. You may say that we are concerned about the threats to the physical ability of the Commission to maintain the important teams as outlined in paragraph 5 of INCHIN 38 and would welcome any suggestions from them concerning how the conditions described by Campbell might be ameliorated.

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[93] Pour un rapport succinct sur la réduction des activités de la commission au Laos à ce moment-là, voir document 690.
For a summary report on the reduction of Commission activities in Laos at this point, see Document 690.

[94] Non retrouvé./Not located.

5. *London*: Would you please give a copy of Campbell's telegram INCHIN 38 to the Foreign Office omitting the reference to the British Ambassador in the second sentence of paragraph 2 (reference your telegram 639 of April 3†). We would welcome any comments which the Foreign Office might wish to make concerning Campbell's assessment of the situation confronting the Commission.

6. You might also wish to draw the attention of the Foreign Office to the financial problems outlined in Vientiane telegram 40 explaining our reluctance to enter into the argument between the French and Indians until we have had the French views on the problem. Any suggestions which the Foreign Office have about how this problem might be eased would be welcome.

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729. DEA/50052-B-6-40

Le secrétaire d'État aux Affaires extérieures au commissaire de la Commission internationale de surveillance pour le Laos

Secretary of State for External Affairs to Commissioner, International Supervisory Commission for Laos

TELEGRAM Y-191 Ottawa, May 3, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Vientiane telegrams Nos. 52† and 53† of April 26.

Repeat London, Washington, Paris, New Delhi.

By bag Hanoi, Phnom Penh, Saigon from Ottawa and Canberra, Wellington from London.

LAOS — U.K., U.S.A. AND FRENCH NOTES[95]

While we agree that, from our point of view as a member of the Commission, publication of notes was unfortunate at this time, we are not convinced that it would be appropriate for Commission to make any comment on them.

2. The Royal Government of Laos is the only sovereign and recognized government of the country and the Pathet Lao have no status other than that of "armed forces" which have been in opposition to the government. The former's status is recognized by the Geneva Agreement and declarations; by the United Nations; and by many countries of various political persuasions including the U.S.S.R. It would appear to us, therefore, that if the Royal Government chooses to send Notes requesting views of other sovereign governments with whom it has diplomatic relations, the Commission would be going well beyond its terms of reference in questioning the Royal Government's right to do so or in questioning the propriety of the three Western Governments sending replies expressing their views.

3. The introduction of a condemnatory resolution by the Poles may well be an attempt to swing the propaganda resulting from the publication of the Notes to the advantage of the Communist side in order to try to counteract whatever effect this might have had on the

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[95] La note du Laos et les réponses des pays occidentaux sont reproduites dans United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume XXI, Washington D.C.: United States Government Printing Office, 1990, pp. 901 à 910.
The Laotian note and the Western replies are re-printed in *United States, Department of State, Foreign Relations of the United States (FRUS), 1955-1957*, Volume XXI, Washington D.C.: United States Government Printing Office, 1990, pp. 901-910.

Laotian political scene. It would seem to us, therefore, that we should direct our efforts towards delaying a decision on what type of comment, if any, the Commission might make. The propaganda advantages to the Communists which might accrue from a Commission statement will lessen as time goes on.

4. Keeping this in mind it would seem tactically wise, both in the Commission and in your private talks with Sen, not to exclude entirely the possibility of reaching some compromise resolution. We would not want you, of course, to agree to discuss in the Commission the Polish draft resolution although, to play for time, you might not refuse to discuss Sen's draft as a working possibility. We find nothing to argue about in his points one and three. We would not like, however, to be associated with an expression of opinion, such as that given in his point two, that which would appear to portion the blame equally to each side. You might tell Sen this and also say that we could not agree to any condemnation of either the Royal Government or the Western Powers for reasons given in paragraph 2 above.

5. While we would prefer the Commission not to take any action we realize the difficulties you would have in persuading Sen to this and have therefore suggested the delaying tactics. When these have been exhausted you might, in the interests of creating a further delay, suggest that you would like to refer the question back to us before taking a final position. This would also give you an opportunity to let us have your views on what our next move might be.

6. Should your colleagues insist on immediate action you might remind Sen that the January 7 Resolution was essentially a compromise resolution and that full Canadian views on where the responsibility lay for failure of the negotiations were contained in our draft resolutions leading up to the January 7 Resolution. It could be unfortunate if, in his determination to have the Commission make some kind of reply to the Western notes, he should force us into a position where we might have to consider issuing a minority statement giving our full views. We would be reluctant to expose publicly these differences of opinion within the Commission because of the effect this might have on the negotiations and on the future usefulness of the Commission. We would therefore hope that he would not insist on inclusion of his point 2, with which we could not agree, thereby pushing us into contemplation of measures that we would otherwise not undertake. You will be in the best position on the spot to decide if it should become necessary to take this more extreme line. We would prefer to adopt the delaying tactics outlined in paragraphs 4 and 5 above but you should feel free to adopt a stronger line if the occasion appears to call for it.

7. We are repeating to you the text of the Laotian Note of February 22, requesting the views of the three Western Powers, which has been given to us in confidence by the State Department. We do not appear to have any record of the Laotian Note of January 16, 1956[96] referred to in paragraph 4 of the Laotian Note. We are inclined to think, from the context that it may refer to a note of January 6, 1957 but we also have no record of any note on that date. We are asking our Embassy in Washington to seek clarification on this point from the State Department.

8. Paragraph 5 of the Laotian Note indicates that the Royal Government were anxious to know the views of the three Governments because of reported differences of opinion among them which were leading to a feeling of uncertainty in Laos. The Foreign Office have apparently accepted this as the purpose behind the Laotian request. We are wondering

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[96] Voir *FRUS, 1955-1957*, Volume XXI, p. 883, note 2.
See *FRUS, 1955-1957*, Volume XXI, p. 883, footnote 2.

if there might not be more behind the Laotian Note than this and that Souvanna Phouma might have hoped that the United States, possibly through consultation with the French and British, would indicate if not support for, at least a less critical attitude generally towards the December 28, 1956 Agreement, and specifically towards the coalition idea. Souvanna Phouma may have been hoping to get some acknowledgment from the Western powers that his efforts towards achieving a settlement were not unappreciated. If this was behind the Prime Minister's thinking then the Notes would appear to have contributed little, one way or the other, to this end. On the other hand, the U.S.I.S. statement, of which we have seen only abbreviated press reports, commenting unfavourably on such items as coalition which the British and French insisted should not be mentioned in the Notes, may have brought forth a result which was quite contrary to that intended or hoped for by Souvanna Phouma.

9. Much of this is, of course, speculation on our part, but we think it would be useful to know how the Western Notes have been received by Souvanna Phouma and other leading Laotian political figures. It would also be helpful if you could let us have their reactions to the publicity which surrounded the publication of the Notes, including the U.S.I.S. story. We would be interested to learn too if the Laotian Government is aware that your colleagues are planning to have the Commission comment on the exchange of Notes and if so what its reactions might be. If they have knowledge of the proposed resolutions we would be grateful if you would keep us informed of any expressions of opinion they might make on them.

10. *London and Paris*: Please give our outline, our views and plans as indicated in paragraphs 2 to 6 to Foreign Office and Quai d'Orsay. We would also like you to let us have any comments they might make.

11. *Washington*: We would be grateful if you would keep the State Department informed along the same lines as indicated in our paragraph 10. Would you also seek clarification of the reference to the January 6, 1956 Note as indicated in our paragraph 7 and ask for a text.

12. *New Delhi*: Would you please take an early opportunity to speak to an appropriate official of the Indian External Affairs Ministry giving our general views as outlined in paragraphs 2 and 6 in the last two sentences of paragraph 4. You might also say that we agree that making the Notes public was not helpful but that we do not think it would improve the situation to have the Commission comment on them. Interference by the Commission would, in our opinion, only serve to attract increased attention to the Notes which would result in a prolongation of the propaganda efforts by both sides. As the Laotian Assembly is due to meet again in June and the negotiations have been stalled rather than completely called off we think it would be wiser to let the subject die as quickly as possible. You might also wish to tell the Indians informally that our advice was not sought by any of the governments concerned during the exchange of Notes and that if it had we would not have considered it appropriate for us to offer comments. We are inclined to think, however, that it would have been difficult for the Western Powers to have declined to reply to the Royal Government's request for their views. Under the circumstances we consider the Notes were quite restrained and in themselves should not cause too much alarm to the Pathet Lao. It is rather in the comments and interpretations by both sides that the danger lies and by keeping silent the Commission might help to reduce this danger.

730. DEA/50052-B-6-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

TELEGRAM Y-206 Ottawa, May 7, 1957

CONFIDENTIAL. IMMEDIATE. CANADIAN EYES ONLY.
Reference: Vientiane tels. Nos. 57† of May 2 and 62† of May 3.
Repeat London, Washington, Paris, New Delhi.
By bag Canberra, Wellington.

LAOS — U.K., U.S.A., FRENCH NOTES

Your telegram No. 57 was not received until after we had despatched our telegram No. Y-191 in which we said we preferred no repeat no resolution. We are still inclined to that position and hope that our High Commissioner's office in New Delhi may have some success in persuading the Indians to the point of view expressed in paragraph 12 of our Y-191.

2. Should the Indians and Poles press forward with a resolution which in any way condemns or makes mention of the three Western Notes we will have to consider recourse to making our own views known. There are two precedents which might be followed in doing this:

(a) Forwarding of the resolution to the Co-Chairmen with a covering letter which would contain our minority views. This would follow the procedure adopted when the Commission forwarded its January 7 Resolution to the Co-Chairmen on February 15, 1956.[97] The forwarding letter gave the Polish minority view on the resolution and also the comments of the Indian and Canadian delegations.

(b) In the case of the Nong Khang Resolution (see paragraphs 53 to 65 and Appendices C and G of the Second Interim Report of the Laos Commission),[98] the Polish delegation sent its own views, to the effect that the voting on the resolution was invalid, direct to the parties. No mention of this Polish action was actually included in the body of the Interim Report but was alluded to in Appendix G which gives the letter from the High Command of the Pathet Lao, dated June 11, 1955 rejecting the Nong Khang Resolution. As we argued at the time that the Polish action in sending views contrary to the majority decision direct to the parties was in contravention of usual procedures and was not provided for in the Cease-Fire Agreement, we would not wish to make use of this precedent until all other means open to us had been explored and rejected. Nevertheless we should keep in mind that this precedent also exists.

3. While we think at this stage it would be best not to mention what methods we might take to ensure that our minority views, if necessary, are made public, we still think that, if

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[97] Voir/See *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July, 1955-16 May, 1957*, pp. 49-50.

[98] Voir/See United Kingdom, Parliamentary Papers, Cmd. 9630, *Second Interim Report of the International Commission for Supervision and Control in Laos, 1 January-30 June, 1955*, London: Her Majesty's Stationery Office, 1955.

pressed, you might wish to consider giving Sen an outline of our views as contained in paragraphs 6 and 12 of our telegram No. Y-191. You might also wish to mention that we were somewhat surprised, in view of their attitude at the time the January 7 Resolution was passed, that the Poles are now referring to it in their draft resolution.

4. We have examined your draft resolution contained in your telegram No. 57 and our first impression is that it appears too long (see paragraph 7 below). We are giving thought to the possibility that, if unanimous support could be obtained for a short resolution which would reiterate and bring forward the January 7 Resolution without any direct or indirect reference to the Western Notes, it might be acceptable as a possible alternative solution although we still think that having no resolution would be better. We would like to have your further views on this before we take any final decisions.

5. If it should be decided that we might reluctantly accept this alternative we would think that any draft resolution submitted should not refer in any way to "various statements" as this would seem to lay it open to the possibility of interpretation as being critical of the Western Notes. We have in mind a brief resolution which would recall the considerations contained in paragraph 7 of the January 7 Resolution; would note that some further progress had been made in reaching some measure of agreement in principle but that understanding on detailed application of the principles is still pending; would note that while a cease-fire was agreed upon in principle there have been reports of some recent outbreaks between the forces of the two parties; would reiterate the recommendations contained in points 1 and 2 of sub-paragraph 5 of paragraph 7 of the January 7 Resolution and ask the parties to continue their efforts to seek a solution.

6. We do not know what chance there would be in persuading the Indians and Poles to accept a resolution along these lines. In the case of the Poles it would mean that they would now acknowledge the validity of the January 7 Resolution which they had previously opposed. If the Indians could be induced to see the validity of the arguments outlined in paragraph 12 of our Y-191 they might look on a resolution of this kind as a compromise which they could accept without the loss of face which a complete reversal of their position would involve.

7. We have stressed the point of having any possible resolution kept short because we are afraid that one that is too long might be more easily twisted by amendment. We would also like to be careful to avoid any suggestion that a settlement at any cost is to be desired. We think that any resolution which we might consider should also avoid giving the appearance of whole-hearted approval of the December agreement.

8. Before deciding whether to disassociate ourselves from any resolution or to attempt to achieve the alternative outlined in the preceding paragraphs. We must have a good look at the possible effects either decision might have on the Laotian situation, on the future work of the Commission, and on our relations with other interested friendly Western powers. We note from your telegram No. 59† that Royal Government reaction to the Notes appears to be generally favourable. This, in part at least, answers the points raised in paragraphs 8 and 9 of our Y-191, but we would still like your comments on them. We can be reasonably certain that our UK, USA and French friends would be disappointed and probably annoyed if we voted for any resolution at this time, whether mention of the Notes is made in it or not. On the other hand, by disassociating ourselves from any Commission action we will almost certainly incur the displeasure and possibly the distrust of the Indians.

9. This telegram is for internal consultation only and not for discussion with other governments at this stage. We have just received your telegram No. 56† outlining Sen's draft resolution and will be letting you have our comments on it in a following telegram.

731. DEA/50052-B-6-40

*Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos*

*Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos*

TELEGRAM Y-216 Ottawa, May 10, 1957

CONFIDENTIAL. IMMEDIATE. CANADIAN EYES ONLY.

Reference: Vientiane tels. Nos. 64† and 65† of May 6 and our tel. No. Y-206† of May 7.
Repeat London, Washington, Paris and New Delhi (Information).
By bag Canberra, Wellington.

LAOS — UK, US, FRENCH NOTES

The Indian draft compromise resolution submitted by Sen on May 6 is a marked improvement over his original draft outlined in your telegram No. 56. While we continue to prefer to have no resolution we do not have much hope of achieving this desirable outcome. New Delhi's telegram No. 197 of May 9,† however, encourages us to think that it might be possible to persuade the Indians to agree to a resolution which might be acceptable to us. We think therefore that it may be wise for you to consider Sen's draft as a basis for discussion. Before doing so, however, you might wish to introduce your own draft resolution along the lines suggested in our Y-206. This would have the advantage of placing our views on the record and might serve as a counter-balance to the extreme Polish draft resolution. Having our resolution in front of the Commission might make it easier to reach a compromise which would satisfy Sen and still avoid the appearance of condemning the Royal Government and the Western powers and specifically approving the December 24 agreements.

2. Miss Byrne of the Laos desk of the State Department has given her personal opinion to a member of our embassy staff in Washington that a relatively innocuous Commission resolution would be less harmful than a stronger resolution accompanied by a minority expression of Canadian views. She said she hoped the Commission would not produce a resolution which could be as successfully exploited by the Communists as the January 7 Resolution had been by the Western Governments. While the three Western Powers would, of course, prefer the Commission not to take any action concerning the exchange of Notes we think they would understand our position, and Miss Byrne's attitude encourages us in this, if we found it necessary to give support to a relatively mild resolution in order to keep the Indians from going along with the Poles on a much stronger one.

3. We are still inclined to think that, in addition to general support, Souvanna Phouma would have liked some endorsement of the December Agreement including the coalition plan. It is quite clear however that the US and UK are not happy with the December Agreement as a basis for a political settlement and that they are particularly opposed to the proposal for a coalition government. The UK has indicated that it would be more appropriate for the Royal Government to consider a coalition after complete restoration of the administration of the Northern provinces to the royal Government has been achieved. The French, like ourselves, have taken a more non-committal attitude towards coalition.

4. While in keeping with Canadian experience (e.g. Czechoslovakia in 1948) we entertained serious doubts about the wisdom of forming a coalition government including Com-

munist representatives. We did recognize the special circumstances in Laos and the fact that such a solution was not incompatible with the Geneva Agreements and might work out, provided repeat provided agreements on restoration of the administration in the North contained sufficient safeguards, and provided the non-communist elements in the Government and Assembly remained alert to the risks involved. In any case, we felt this was a decision which was up to the RLG to make after receiving advice from various quarters it might wish to approach. It is evident that the possibility of reaching a final settlement is still foundering on the question of the detailed agreements. It is for consideration how long efforts should be continued to reach agreement on the basis of the December declaration or whether a new start should be made as is evidently favoured by the US and UK. This obviously involves delicate questions concerning the domestic political situation in Laos in which we think the Commission should not be involved. For this reason we would like to avoid having the Commission make any statements which would go any further than it has before in expressing specific approval of the December Agreement.

5. In the following paragraph we are outlining what we think is the extent we would be prepared to go in support of Sen's resolution. Our suggested amendments to the latest Indian draft resolution have been designed to attempt to avoid

(a) specific approval of the December Agreements

(b) reference to or criticism of the exchange of Notes

(c) endorsement or approval of any of the Agreements in terms which would go further than the Commission's existing resolutions and letters commenting on the Agreements

(d) approval by the Commission of an executive agreement, requiring legislative approval, before it has been finally approved by the National Assembly.

6. Following is the text of a suggested amended version of Sen's resolution which we think we might be able to support:

(i) "Notes that the parties have not arrived at a final political settlement as envisaged in the Geneva Settlement; declares its conviction that a political settlement should be achieved as a result of full and free discussions between the parties and that in these negotiations the Commission has adhered to the policy that the parties should discuss freely between them what is most acceptable;

(ii) "Recalls that it noted with satisfaction the common declarations of August 10 and 15 [sic] by its resolution of September 24, 1956 and that subsequently it addressed letters to the Co-Chairmen drawing their attention to the various agreements signed between the parties on October 31, 1956, November 2, 1956, December 24, 1956 and the common declaration of December 28, 1956 and that in its last letter of January 11, 195[7] to the Co-Chairmen the Commission concluded by expressing the hope that these measures which the parties affirm as representing a great step forward towards the final solution of the Laotian problem in conformity with the Geneva Agreements would soon lead to a final settlement of the Laotian problem.[99]

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[99] Pour les textes des accords et de la déclaration commune, voir *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July, 1955-16 May, 1957*. Aucune version imprimée de la lettre du 11 janvier n'a pu être trouvée.

For the text of the agreements and the common declaration, see *Third Interim Report of the International Commission for Supervision and Control in Laos, 1 July, 1955-16 May, 1957*. No printed version of the letter of January 11 could be found.

(iii) "Notes that the agreements so far signed and the terms of negotiations, so far as they are known to the Commission, do not go against the Geneva Agreement and the Resolutions adopted by the Commission, including that of January 7, 1956.

(iv) "The Commission considers that to achieve a final political settlement the parties

(a) should continue their efforts to reach agreement on all outstanding points of difference;

(b) should scrupulously observe the cease-fire and not take hostile actions or give provocations and should maintain complete peace and

(c) should utilize the machinery of the Joint Political and Military Committees established by consent between them to the maximum extent possible."

7. You will note that our text revises paragraph one of Sen's draft to omit reference to the "various documents" and to "pressure or intervention".

8. Our amendments to paragraph 2 have been made in an attempt to avoid saying that the Commission gave "its general approval" to the various agreements signed between the parties. We think Sen's draft goes too far in giving this impression. In the Commission Resolution of September 24, 1956 concerning the August Joint Declarations the Commission "takes note with satisfaction" of the outcome of the discussions and "expresses its satisfaction" at the extent of agreement achieved by the parties. The Commission also "hopes that a final solution will be achieved". Nowhere in the resolution does the Commission welcome the common declarations of August 5 and 10. The closest it comes to commenting on the Declarations is in paragraph 2 of the resolutions where it states the Declarations "form a suitable basis for final agreement in respect of all outstanding matters in conformity with the Geneva Agreement". The covering letter to the Co-Chairmen forwarding this September 24 Resolution avoids commenting on the August Declarations.

9. Again in the Commission's letter of December 3 transmitting the Agreements of October 31 and November 2, 1956 by the Joint Military and Political Committees of the two parties, the Commission avoids giving its approval or endorsement of the Agreements and merely states that the "present documents mark progress which the Commission notes with satisfaction". In its letter of January 11 to the Co-Chairmen attaching the Joint Declaration signed by the two Princes on December 28 the Commission, at our insistence, confined itself to facts and did not indicate judgment on the agreement which was concluded. The Commission merely expressed the hope that "these measures" would soon lead to a settlement of the Laotian problem.

10. You will have noted that we have no particular quarrel with paragraph 3 of the Indian draft.

11. Our amendments to paragraph 4 are designed to avoid having the Commission recommend "that it is essential that the agreements so far signed should be implemented wherever possible." We have also omitted the word "neutral" because, while the Royal Government has undertaken not to enter military alliances or allow military bases to be established on Laotian soil we do not think they have necessarily committed themselves to a strictly "neutral" policy in all their foreign affairs. We would not consider it proper for the Commission to interfere in the conduct of the Royal Government's relations with other countries provided these are kept within the provisions of the Cease-Fire Agreement and the declarations made at Geneva. You will recall that we have taken this position before when the Poles have attempted to have the Commission make reference to Laotian neutrality. A recent example of this was in the resolution introduced by the Poles at the 210 Commission meeting on August 14, 1956. The final agreed resolution of September 24 omitted any reference to neutrality.

732. DEA/50052-B-40

Le secrétaire d'État aux Affaires extérieures
au commissaire de la Commission internationale de surveillance
pour le Laos

Secretary of State for External Affairs
to Commissioner, International Supervisory Commission for Laos

TELEGRAM Y-218 Ottawa, May 11, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Your tels. 67† and 68† May 9.
Repeat New Delhi, London, Washington and Paris.
By bag Hanoi, Phnom Penh, Saigon, Canberra, Wellington.

We appreciate the successful efforts you have made to resist the passage of a majority resolution containing the objectionable features of the original Polish and Indian drafts. We agree that there could be disadvantages in our taking a minority position but we should not let this possibility rush us into supporting a draft which

(a) is susceptible of being twisted to criticize the Western Notes,

(b) carries us farther than Commission has already gone in endorsing executive agreements not yet approved by the Assembly and which may not be the only way of achieving a settlement of the Pathet Lao problem, or

(c) which may be used to influence the course of domestic political debate in Laos.

2. Delhi telegram 197 May 9† suggests that Desai's instructions to Sen are that there should be no direct or implied criticism of the Western Notes. Any Sen threat to revert to a more critical resolution is likely to be made for bargaining purposes and to contain considerable bluff.

3. We understand that National Assembly is to meet May 11 and that Prime Minister will report on negotiations with Pathet Lao and request vote of confidence possibly before May 18. If this is so it may be desirable to ascertain tenor of Assembly and avoid specific endorsement of December 28 Declaration as this may be calculated to influence debate and vote.

4. Factors to be taken into account in considering any resolution and indication of sort of compromise resolution we would find acceptable are given in our Y-216 May 10. Following are comments on draft prospective resolution in your telegram 67 May 9.

5. Preamble appears to us to still contain phrases such as reference to "various documents and statements" which seem to refer to Western Notes. Similarly word "difficulties" is susceptible to different interpretations and should either be dropped or Commissioners should be asked to put their interpretation on Commission records so that more malicious interpretation could not be given later. We prefer shorter form in our draft and use of adjective "final" to qualify political settlement since we consider partial settlement already achieved in 1955 national elections.

6. In second paragraph we consider word "essential" too strong. Word "mutually" gives Pathet Lao too much equality when we believe they should be under Commission and world opinion pressure to accept "equitable" terms. Phrase "without external influences and pressures" should either be deleted or Commissioners should be asked to place their interpretations on Commission record.

7. In third paragraph word "welcomed" is too sweeping. You should insist on factual statement along lines paragraph 6 (ii) of our Y-216 for reasons stated in our paragraphs 8 and 9. We do not like use of adjective "unanimous" qualifying resolutions or letters as this undermines whole basis on which Commission takes majority decisions such as January 7 Resolution.

8. Paragraphs 4 and 5 go too far in endorsing executive agreements not yet endorsed by Assembly. Phrasing should be broader to imply that these agreements "are not contrary to Geneva Agreements" or "can serve the objectives".

9. We have no objections to paragraphs 6 to 9.

10. We would like to see some reference in resolution to 7 January 1956 Resolution.

11. We are pleased with progress you have made but consider that you should take risk of further delay to try to obtain further modifications proposed and in order not to influence Assembly debate.

12. If after further discussion you are satisfied that

(a) our principal points have been met by amendment or placing balanced interpretations on the record

(b) resolution will not interfere with Assembly debate and

(c) you cannot secure further delay to consult us again, you are authorized to vote for suitably innocuous compromise resolution.

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733. DEA/50052-B-6-40

Note du chef de la Direction de l'Extrême-Orient pour le sous-secrétaire d'État adjoint aux Affaires extérieures

Memorandum from Head, Far Eastern Division, to Assistant Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], May 17, 1957

LAOS

Attached for your signature is a reservation-free congratulatory message† which you may wish to send to Peter Campbell.

We in the Far Eastern Division enjoy a canter through rough country such as we have been through on this resolution. We like to feel that we are holding a tight rein on some of our high spirited horses. The need to do so can be readily seen from comparing Peter's own first draft with the final compromise resolution adopted which is even an improvement on it. You will recall that in his tel. 69 of May 9† Peter said he had wrung great concessions from Sen by making bluntly the kind of threats contained in our Y-191. He went on to say that he did not think we could press further and feared that Sen would need little provocation to revert to his earlier tougher position. Peter strongly recommended that we accept that draft — probably in the confidence that this plea would touch your soft heart. But we hard-hearted fellows in Far Eastern were unmoved. So we pressured you — against your better (?) judgment — into signing two further telegrams urging Peter to fight on. We were encouraged by Teakles' report of Desai's views which enabled us to gauge the amount of bluff in Sen's bargaining.

I am pleased that in the resolution finally adopted Peter got 9 out of 9 of the specific amendments I got you to approve in the telegram I submitted last Saturday morning. In retrospect this seems to me to have been a successfully conducted operation. Our tough instructions enabled Peter to take an even tougher line than he would have felt justified in taking on his own. In the end this produced as good results as we could expect out of a bad starting position.[100]

ARTHUR MENZIES

P.S. if you don't like the first draft telegram, what do you think of the second?[101]

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734. DEA/50052-B-2-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM Y-254 Ottawa, June 7, 1957

SECRET. PRIORITY.
Repeat Vientiane, London and Paris.
By bag Canberra, Wellington.

LAOS — NEW KATAY GOVERNMENT

We have been informed by the UK High Commissioner's office here that Katay agreed on June 3 to form a new government on as wide a basis as possible.

2. He has promised four places in the government to supporters of Phoui who have accepted. They have also agreed on the following program:

(a) Negotiations should be resumed with Pathet Lao on basis of December 28 Declaration.

(b) Pathet Lao must be dissolved, their armed forces reintegrated, and Royal administration restored in two Northern provinces.

(c) Then they will take two Pathet Lao into Government.

(d) Government will resign if agreement has not been reached within two months.

3. According to the UK Ambassador in Vientiane the biggest obstacle to the formation of this government is the attitude of the United States Government. On the one hand, the Assembly unanimously approved the December 28 Declaration, including the admission of Pathet Lao. On the other hand the United States Government is understood to be opposed to this under any circumstances. As we have not had a general review of the Laotian political scene with officials of the State Department for some time we think you might take an opportunity to discuss the latest developments with them on a very informal basis. We do

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[100] Pour le texte final de la résolution, voir United Kingdom, Parliamentary Papers, Cmnd. 541, *Fourth Interim Report of the International Commission for Supervision and Control in Laos, 17 May, 1957-31 May, 1958*, London: Her Majesty's Stationery Office, 1958, pp. 24-25.

For the final text of the resolution, see United Kingdom, Parliamentary Papers, Cmnd. 541, *Fourth Interim Report of the International Commission for Supervision and Control in Laos, 17 May, 1957-31 May, 1958*, London: Her Majesty's Stationery Office, 1958, pp. 24-25.

[101] Note marginale :/Marginal Note:
My congratulations without reservations to T.R.H. Princes Menza Phouma and Ballachavong for being right as usual in spite of the harassment from in front. J.W. H[olmes]

not know at what level you think your discussions should take place but would be inclined to think they might be more profitable with someone higher than at the desk level. We would be interested in their assessment of the possibility of Katay successfully forming a government with Phoui's support. It would also be of interest for us to know what alternatives to a Katay-Phoui Government they might have in mind if they do not think they can agree to the program which Katay proposes to adopt. It would be interesting to know under what conditions the United States has indicated it might have to reconsider its aid program for Laos. We would also find it helpful if State Department officials could give us some idea of their current thinking on the terms of a settlement which they might find acceptable and which would not require a reassessment of their aid program.

4. In your informal discussions we think you might make the following points:

(a) Because of our role as a member of the International Commission and because, although we have recognized Laos, we have no diplomatic relations with the Royal Government, we have tried not to interfere in local Laotian politics. We have, however, when our views have been sought by members of the Royal Government, expressed our concern at the lack of safeguards in the settlements to date and have warned of the pitfalls into which a free government might fall in dealing with communists.

(b) Our main task in Laos, as a member of the International Commission, has been and is to supervise and control the provisions of the Cease-Fire Agreement. Although we have thought that important safeguards have been wanting in the agreements which the Royal Government have concluded up to now, we have not actually found anything in these which is contrary to the terms of Cease-Fire Agreement. We have, nevertheless, managed to keep the International Commission from giving unqualified endorsement to the December Agreements on the grounds that the Commission should not interfere in the internal affairs of the Kingdom unless policies are pursued by the parties which are contrary to the terms of the Geneva Settlement.

(c) Our Commissioner in Laos, and officers now serving in the Department who have been in close contact with Laotian Affairs, are of the opinion that the Katay program is probably the best the Western powers can hope for, given the present emotional attachment of the majority of Laotians to unity and the increased nationalism which is being displayed by even the more moderate and pro-western Laotian politicians. We think that, in not promising any Cabinet posts to the Pathet Lao until after restoration and integration are completed, Katay has been about as realistic as could be hoped for and we do not think that any government proposing less would have much chance of success. We would hope therefore that the United States would consider carefully the alternatives to a Katay-Phoui Government before they decide to cut off or drastically reduce their aid.

(d) The alternatives to a Katay Government as we see them are;

(i) A government of nonentities committed to a program of stalemate which would satisfy few if any of the Laotian leaders and would probably tend, in the long run, to increase the emotional appeal of unity and nationalism and might finally result in a rejection by the Laotians of advice or aid from the West. This could in turn open up a broad path for communist infiltration into the rest of Laos and all of Southeast Asia.

(ii) A new government by Souvanna Phouma, presumably not including the moderating influence of Katay and his group, committed to the December Agreements and immediate acceptance of Pathet Lao members into the government without the conditions included in the Katay program.

(iii) Immediate formation of a much more nationalistic, neutralist and pro-Pathet Lao Government, perhaps headed by Bong or Pethsarath or a combination of both, which would be more inclined to accept communist terms in order to achieve a unified country. Withdrawal or reduction of aid under these circumstances would, we fear, only tend to throw the Laotians more completely into the lap of the communists.

5. We can see the dangers in admitting communists to membership in the Royal Government and we can also appreciate the difficulties which the State Department might face with Congress in continuing aid to a government which included communist members. Nevertheless we think these known difficulties should in the long run be viewed with less concern than the possibility that, by obstructing the desire for reunification of their country which we think is almost unanimously held by Laotians, we might eventually tend to drive them from the pro-Western into a strictly neutralist or even anti-Western position.

6. We are asking you to give these views to the appropriate State Department officials on a very informal basis and we would be grateful if, at the same time, they would let us have their assessment of the situation and their comments on our appreciation of it. For your own information we understand that the UK Embassy may be giving similar views to the State Department but we would not wish the Americans to think our approach was linked with theirs or that we were doing more than having a friendly exchange of views on the subject.

7. Vientiane: We realize that slow communication facilities have probably held up your reports on the current political situation but have thought it advisable not to wait for your views, which we think will be substantially in accord with ours, before discussing the situation with the State Department. Your comments on the points we have made will be appreciated.

8. London and Paris: If you are discussing this subject with officials of the Foreign Office or Quai d'Orsay you might indicate that we are asking our Embassy in Washington to discuss the situation with the State Department. You might stress the informality of our approach and say that our main purpose in this is to obtain an indication of the latest American thinking on the political future of Laos and also to give them our views on the possible dangers involved in rejecting Katay's more moderate program for a political settlement.

2e PARTIE/PART 2

LA RÉPUBLIQUE POPULAIRE DE CHINE
PEOPLE'S REPUBLIC OF CHINA

CONTRÔLES STRATÉGIQUES DES EXPORTATIONS
STRATEGIC CONTROLS ON EXPORTS

735. DEA/11045-H-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL

[Ottawa], April 17, 1957

STRATEGIC CONTROLS AND THE "CHINA DIFFERENTIAL"

No reply has yet been delivered to the U.S. Note of January 7, 1957,[102] proposing a general tightening of the strategic controls and in particular of the controls applying to trade with Communist China. This is because we did not consider that this proposal should be supported, but on the other hand regarded it as undesirable to join the other governments participating in the control arrangements in formally opposing U.S. views. We had some hope that the Note represented a final statement of U.S. preferences preparatory to abandonment of the completely uncompromising position which the U.S. had heretofore displayed, and that it might be possible before long to reply in a manner which would serve to contribute constructively to the removal of anomalies in the control system on an agreed and workable basis. In the meantime all other participating governments have replied, more or less outspokenly from case to case but all negatively, to the similar U.S. Notes addressed to them.

2. Fortunately the U.K.-U.S. discussions at Bermuda led to, or provided the occasion for a shift in the U.S. attitude. This shift has been made public in press conferences by Secretary Weeks[103] and, a few days later, by President Eisenhower.[104] Agreement has now been reached that the general question of China controls will be discussed in CHINCOM (the standing committee supervising the arrangements for control of trade with China) early in May, and the U.S. authorities have this week sought our comments on certain specific proposals which they intend to put forward at that time.[105]

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[102] Cette note, rédigée par le département d'État, est reproduite dans United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume X, Washington D.C.: United States Government Printing Office, 1989, pp. 409 à 410.

This note, as drafted by the Department of State, is reprinted in United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume X, Washington D.C.: United States Government Printing Office, 1989, pp. 409-410.

[103] Voir/See *New York Times*, April 5, 1957.

[104] Voir/See United States, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower 1957*, Washington D.C.: United States Government Printing Office, 1958, pp. 277-278.

[105] Référence à l'aide-mémoire américain du 17 avril. Voir *FRUS, 1955-1957, Volume X*, pp. 445 à 446. This refers to the American Aide-Mémoire of April 17. See *FRUS, 1955-1957, Volume X*, pp. 445-446

3. The moment therefore seems propitious for sending a reply to the U.S. Note which might consist mainly of an exposition designed to make the forthcoming discussion as fruitful and constructive as possible. I attach for your consideration, and signature if you approve, a Note to the United States Ambassador which might serve this purpose. The text has been prepared in close consultation between this Department and Trade and Commerce, with the views of the Joint Intelligence Bureau and the Joint Intelligence Committee being incorporated. It is satisfactory to the various officials indicated, and while Mr. Howe has not seen it, Mr. Bull has discussed its substance with him and is satisfied that Mr. Howe concurs.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note du secrétaire d'État aux Affaires extérieures à l'ambassadeur des États-Unis

Note from Secretary of State for External Affairs to Ambassador of United States

NOTE NO. 90 Ottawa, April 29, 1957

CONFIDENTIAL

The Secretary of State for External Affairs presents his compliments to the Ambassador of the United States of America and has the honour to refer to the Ambassador's Notes No. 161 of January 7, 1957 and No. 179 of January 18, 1957† concerning strategic controls. The first proposed an early meeting of the "Consultative Group" to discuss the possible tightening of the strategic controls, and the second in response to the request in Note No. 14 of January 16† from the Department of External Affairs enlarged on the reasons why the United States Government favoured such a tightening. In the period since these Notes were delivered circumstances and ideas have altered somewhat, and it might therefore be useful to set out first the Canadian Government's impressions of the present situation relating to strategic controls.

The Canadian Government continues fully to support the objectives of the general system of controls, and to regard that system as broadly satisfactory for the achievement of those purposes. It has therefore been concerned at the distortions which in recent months have been introduced into the operation of the system, in particular through the increasingly liberal use by a number of participating governments of the exceptions procedures applicable to trade with Communist China. These procedures have been applied more extensively than might reasonably have been expected, to a point where the integrity and effectiveness of the entire control system may have been threatened. Hence the Canadian Government agrees that means should be sought of preventing further injury, through undue use of exceptions procedures in connection with trade with Communist China, to the general system of strategic controls.

The Canadian Government recognizes, however, that the effective operation of the control system requires the full cooperation of participating governments. The Committees are, of course, unable to enforce compliance on participating governments which may be unwilling of themselves to enforce restraints on trade. When cooperation fails, the effects are bound to undermine each participating country's ability to abide by its own strategic control undertakings.

In giving careful consideration to the matters raised in the Ambassador's Notes the Canadian Government has therefore taken account of the views of other governments participating in the system of strategic controls. It is apparent that a number of governments have found it difficult or impossible to reconcile with their legitimate national interests the full content of the restrictions, currently in force, upon trade with Communist China. In the absence of agreement to reduce these restrictions significantly, they have chosen to subject the agreed procedures to some distortion so as to permit a greater volume of trade with China than a literal application of agreed procedures would have permitted. It appears that these distortions have arisen not as a result of any general dissatisfaction with the agreed procedures in themselves but as the only means available, short of open disavowal of the control system, of permitting the trade they feel should be allowed. Nevertheless the abuses and distortions which have occurred have weakened not only the restraints on trade with China but the effectiveness of the control system as a whole.

In seeking a solution of the China list problem it is important to re-establish unity of policy and uniformity of practice in the work of the Committees. In this situation it might be considered that two courses are open. The first would be to make no significant change in the existing classifications but to seek other means of retaining dissatisfied governments within the voluntary control system. It appears probable that this could be achieved only at the cost of further major erosion or distortion of existing procedures with respect to the system as a whole, including the application of these procedures to the European Soviet bloc where the arrangements have in general functioned with satisfaction to all participating governments. The second course, clearly preferred by the great majority of participating governments, would be by agreement to reduce significantly the restrictions on trade with Communist China to a level approximating that applicable to trade with the European Soviet bloc.

It is the view of the Canadian Government that the first course is not a sound and realistic solution, and that it should not be considered. It could only be temporary in nature, and damaging to the general control system. There remains, then, the course of reducing significantly the present special restrictions on trade with Communist China and confining such trade within defined procedures and licensing guides mutually accepted and agreed by all participating governments. From the close and effective collaboration in these matters between United States and Canadian authorities the former are no doubt aware of the Canadian attitude towards this possibility. Canada has been concerned to avoid encouraging abuses, and also of course to preserve the close collaboration so much valued by the Canadian Government and to avoid an apparent isolation of the United States. Canadian representatives have therefore refrained from expressing formally in the Committees views differing from those which have been expressed there by U.S. representatives. In substance it is the Canadian view that it is difficult to demonstrate the strategic justification for prohibiting the shipment to Communist China of the majority of the items in the "China differential list", and that the criteria on which that list rests imply a policy approximating economic warfare rather than one of controlling strategic commodities. Canadian authorities hold the view that that differential list might be abolished or at least substantially reduced without significant prejudice to the security of the free world. Both in terms of consistency within the control structure, and of obtaining full support for the effective operation of the control system, it would now appear desirable that the elimination or substantial reduction of the China differential list should be agreed.

The Canadian Government welcomes the recent indications in statements by President Eisenhower and others that the United States Government is now prepared to agree to a reduction of the China differential list. It is the belief of the Canadian Government that, in the interest of preserving an effective system of strategic controls actively supported by participating governments, the multilateral discussions soon to take place should be directed towards a real and workable understanding on the question of trade with Communist China. The Canadian Government is confident that when such an understanding is achieved it will become possible through negotiation to settle such other lesser problems as may remain in the application of the strategic control system. In particular, it should then be possible to reach agreement to limit the use of exceptions procedures to cases where they are genuinely and properly applicable, thus restoring the healthy operation of the procedural arrangements in general.

In the light of the foregoing, it may be stated that the Canadian Government considers that action should be taken promptly along the lines already indicated with a view to bringing about an effective limitation of the use of the CHINCOM exceptions procedures. The Canadian Government does not wish to comment at the present time on the proposal that there should be a sharp curtailment of shipments of copper wire to the European Soviet bloc, a question which it is understood is being discussed with others more directly concerned. Finally, with regard to the suggested significant increase in the possibility of aggression or intensified subversive action by the Communist bloc in the Far East, the Canadian Government does not consider that there is sufficient evidence of this to require any general tightening of COCOM/CHINCOM controls. Such a tightening might, for reasons already indicated, tend to diminish the effective application of existing controls, and moreover might tend to increase international tension and hence itself increase the risk of war. In the light of these considerations the Canadian Government would not regard it as desirable to impose a general curtailment of shipments of all items under International List II quota control. The Canadian Government will, however, remain ready at any time to discuss possible curtailment of shipments of individual commodities which may be regarded as constituting a risk to the security of the free world.

L.B. PEARSON

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736. DEA/11045-H-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], May 13, 1957

STRATEGIC CONTROLS AND THE CHINA DIFFERENTIAL

On April 29 you signed a note to the United States Government setting out the Canadian Government's general position on this question and in particular expressing the view "that the elimination or substantial reduction of the China differential list should be agreed".

In accordance with the policy position set out in that note we instructed the Embassy in Washington on May 2 to deliver to the State Department a communication giving our comments on specific U.S. proposals for dealing with the China differential problem. The substance of these comments was that the proposals "... do not appear to correspond to the requirements of the situation ... Canadian representatives will be unable to support those proposals in their present form in the forthcoming multilateral discussions. It is hoped that the United States Government will be able to consider modifications which would permit a generally acceptable compromise". In further instructing our representatives in Washington and Paris we have explained our view that if agreement is to be reached the United States will have to make substantially greater concessions than it has so far indicated any willingness to do. On the other hand some concessions will undoubtedly be required of the other governments concerned who at present propose the elimination of all the differential China controls and the application to China merely of the controls now in effect for the European Soviet bloc.

It has been apparent for some time that there would be great difficulty in achieving an acceptable compromise on this question. We have hoped, however, that it might prove possible to agree upon an arrangement whereby the China differential list of controlled items would be eliminated and the same lists of items subjected to control for China and for the European Soviet bloc. In order to provide the element of differential treatment for China which we believe to be a political imperative for the United States, one would apply these lists to China under somewhat more restrictive procedures than for the European Soviet bloc. It might be possible to formulate procedures involving a sufficient appearance of differential treatment for China to meet the essential requirements of the United States, without in practice imposing restrictions on China trade so extensive as to be unacceptable to the European governments. We have had in mind that if a deadlock appeared imminent a compromise proposal by Canada along these lines might have reasonable prospects of success, quite possibly greater prospects than if it were to be put forward by any other of the participants.

This general approach to the negotiations on Canada's part is in accord with the assessment put forward by Mr. Robertson in his telegram No. 960 of May 7† (attached). In that telegram Mr. Robertson pointed out, however, that domestic pressure on the United Kingdom government was so great that it could afford only minor concessions to the United States point of view.

London's telegram No. 994 of May 10† (also attached) indicates that the situation has just about come to a head. It appears that the United Kingdom government now sees little or no hope of an agreed solution, and during the course of this next week will have to take a difficult decision whether "to go it alone or to propose or accept a compromise short of, but only just short of, abolition" of differential treatment for China. Canada House estimates that a compromise proposal from Canada might be helpful, but only if it came very close to meeting the United Kingdom position in full. If it did not do this, Canada House sees no way in which the United Kingdom government could avoid turning it down, however reluctantly.

It therefore appears that we must decide and probably today or at the latest tomorrow, between letting events take their course and making a last effort to obtain a compromise. We have already been told that the United Kingdom Foreign Office very much appreciated the "helpful intervention" which our delegate made in the discussions this past week, an intervention of which we have not received a report at the time this is written but which on the basis of the instructions sent to Paris should have indicated unwillingness to accept the United States position without at the same time indicating explicit support of the United Kingdom position at least in its extreme form. The prospect of a successful compromise resulting from a Canadian intervention is not very good. If a major public split is going to develop in any case it might well be the wiser course to rest on our present position and avoid taking a more explicit public position which would lead to our being directly involved in the debate. We would not I think be open to any significant criticism if we were to let events take their course. The United Kingdom-United States split would be unpleasant, and would no doubt revive some of the antagonisms which characterized the

Suez dispute. Nevertheless the long term results of such an event, caused in this case very clearly by undue rigidity on the United States part, might not all be undesirable; there might appear in Washington in time a somewhat more flexible attitude towards the principal allies of the United States.

If we decide on the other hand to intervene, we would have to determine the precise impact to be attempted. If we regard the United Kingdom position as the extreme left and the U.S.A. position as the extreme right, our compromise proposal could be aimed at dead centre, at left of centre, or at right of centre. It would appear from the reports from London that anything not well left of centre would be unlikely even to get fair consideration by the United Kingdom. Anything not right of centre might well be rejected by the U.S.A. also, although we have no knowledge of U.S.A. reactions to last week's developments and the U.S. administration may conceivably be now prepared to consider a major concession in the hope of salvaging some form of agreement. A position well left of centre is in accord with our own assessment of the merits of the case, and we could move even closer to the United Kingdom without doing undue violence to the views of our technical experts. It should be recalled once again, however, that to declare such a position would be likely to draw us into a major public dispute with the United States if the negotiations break down in spite of our efforts, a dispute from which we could disengage ourselves by refraining now from further intervention. I do not know whether the Government would consider the chance of obtaining a successful compromise sufficiently important to risk such a dispute with the United States at the present time.

We must by tonight give our delegate in Paris some instructions, if only of an interim nature. On the one hand we could tell him that the Government has decided not to introduce compromise proposals in view of the limited prospects of acceptance and the considerable disadvantages which would result from failure. On the other hand we could tell him that we are working out a compromise proposal which we will send him within the next 24 hours and ask him to make a statement to this effect in the Committee with a view to holding off the breakdown of negotiations at least until he is able to make a statement the following day. If we follow the latter course we will then have to determine how close our proposals should come to the position identified with the United Kingdom and supported by the other participating governments. Choices on this point may be summarized as follows:

(a) Something which the United Kingdom can fairly confidently be expected to accept, but which is likely to have little chance of success in Washington.

(b) Something closer to the U.S. position; even a small shift in this direction would probably lose U.K. support without necessarily being acceptable to the U.S.

(c) Something which the United States should be able to accept but which very probably would not prevent the United Kingdom from breaking off the negotiations.

I find it very difficult to formulate a recommendation as between the two principal alternatives, namely to let matters take their course or to attempt a compromise. On the whole, however, in view of the complexity of the matter and the fact that there is no fundamental Canadian interest involved apart from a possible further deterioration in the relationship between London and Washington, I don't think we should stick our neck out.

If, however, you think that we should introduce a compromise, then I would recommend that it follow the line indicated in (a) above, namely that it should take a form which the United Kingdom can accept, unless their position has gone beyond all reason, even if this means a serious argument with Washington.

I should be grateful for your comments and instructions.

I attach (Paris telegram 379†) a report of the discussions of May 10 including the text of the "helpful intervention" made by our representative and referred to above.[106]

J. L[ÉGER]

737.

DEA/11045-H-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council

TELEGRAM E-742

Ottawa, May 14, 1957

SECRET. IMMEDIATE.

Reference: Paris Embassy's tel 379 May 10.
Repeat Paris, London, Washington (Information).

REVIEW OF CHINA CONTROLS

Following for Wilgress, Begins: The interventions made in last week's discussions in the Committee by our representative were excellent, fully reflecting our ideas here and as far as we can judge from this distance skilfully adapted to the atmosphere of the negotiations. We note with satisfaction that you have been following these developments, and assume that you are in close contact with Neal concerning them.

2. I have now had an opportunity to review the situation in some detail for the Minister, and to seek his views on the desirability of taking a specific initiative in the Committee designed to lead to a compromise agreement. In the light of the U.K. position particularly as reported in London's telegrams 960 of May 7 and 994 of May 10 it appears that such an intervention would at present have only limited prospects of achieving a useful result. In these circumstances the Minister does not think that we should formally seek or put forward a compromise, at least until the UK and the USA seem to be a little closer together. We should, however, watch the situation closely and seize in the discussions in the Committee on any opportunity which promised success for any move on our part. This means, in effect, that the matter may largely have to be played by ear in Paris, and the Minister hopes that you will continue to be available to our representative to assist him in determining his course.

3. In the light of these new developments we have been reconsidering the possible content of a Canadian proposal should it be decided to make one. It is our present thought that such a proposal should be close enough to the UK position for us to be fairly confident that it could be accepted by the UK Government, even at the risk of being pretty unpalatable to the United States. This might be achieved by a formula which, in rough outline, would involve the abolition of the China Special List (with the possible transfer of a few items from it to International List III) and the application of the International Lists to China as well as to the European Soviet bloc. International List I, the Munition List and the Atomic

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[106] Note marginale :/Marginal Note:

I don't think that we should formally seek to put forward a compromise, at least until the UK-USA seem to be a little closer together. But we should watch the situation and in the discussions in Paris seize on any opportunity which promised success for any move on our part. In other words, perhaps Mr. Wilgress will have to play it by ear — if he feels he can play at all. L.B. P[earson]

Energy List would be embargoed for China. List II would apply to China as well as the European Soviet bloc subject to some suitable agreement concerning the determination of quotas which would govern shipments to China; pending such an agreement, List II items would in effect be embargoed for China. As far as List III is concerned items would be free for shipment subject to reporting, but in view of the special concern felt by some participating governments regarding the export of such items to China we would envisage that CHINCOM might remain in existence with the specific task *interalia* of reviewing, at specified intervals, shipments of List III items to China to determine in the light of experience whether any of these items required more stringent control such as quota limitation or embargo.

The rough outline of a possible proposal given above is intended at present only for the information of yourself, Neal and our other representatives concerned. We would be grateful for any comments, and would hope in any case that if a Canadian intervention in the Committee should become appropriate there would be opportunity for a further check with us. You will of course appreciate the extent to which our thinking on the desirability, timing and content of a possible Canadian intervention is conditioned by broad considerations extending beyond the specific field of strategic controls.

[J.] LÉGER

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738. DEA/11045-H-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs

TELEGRAM 806 Paris, May 16, 1957

SECRET. IMMEDIATE.
Reference: Our tel 793 May 15.†
Repeat London, Washington, Paris (Information).

REVIEW OF CHINA CONTROLS

Following from Wilgress: I have been in conference with Neal and this telegram should be regarded as coming from us both.

2. The situation as we see it is that the UK are indifferent to the consequences of a breakdown of the negotiations. They feel that right is on their side and that they have the majority of the Committee behind them. Moreover, it is possible that as a result of the stir created by their giving in to Nasser on the Suez Canal, the UK Government would not be adverse to displaying a strong attitude in opposition to the USA on the question of China controls. Another factor intimately connected with the Suez question is that they would not wish to provide the French another example of their backing away from a previously strong position. We should bear in mind that it was the French who introduced the proposal which has been the basis of the discussion in CHICOM.

3. We are still of the view that it is too early yet for us to intervene with a compromise proposal. We have considered the possible content of a Canadian proposal as set forth in paragraph 3 of your telegram E742 of May 14. One difficulty we see is that this would not be regarded as a compromise proposal but rather as another variant of the UK-French posi-

tion and hence unacceptable to the USA. When the time is suitable for us to intervene, the proposal which we put forward should be one which is likely to lead to serious consideration with a reasonable prospect of agreement being reached in a short space of time. We shall be in a better position to advise the part we could usefully play after the meeting on May 17 when the USA will put forward their revised proposal and invite comments.

4. The important thing at the moment is to keep the situation fluid. You will have noted from Paris Embassy telegram 388 May 13† that the USA will make an effort to avoid either being put in the light of delaying the discussion or taking an unconciliatory attitude. We, therefore, feel it is most important that the UK at tomorrow's meeting should not take a position which will make further discussion impossible. In our view it would be desirable for them to put forward some counter proposal. This should show an inclination of readiness for further discussion and not exclude the possibility of a compromise, which in effect would mean the retention of some China differential. We have, therefore, concluded that it would be useful if the Acting High Commissioner in London could talk at a suitably high level to the UK Government in this sense, indicating that we would be prepared to support any constructive attitude which they may be able to adopt at tomorrow's meeting.

739.

DEA/11045-H-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM E-768

Ottawa, May 16, 1957

SECRET. IMMEDIATE.

Reference: NATO Paris tel 806 May 16.
Repeat Paris, NATO Paris, Washington (Information).

REVIEW OF CHINA CONTROLS

We agree with the assessment that the U.K. Government is aware of the considerable possibility of a breakdown of the negotiations and is not unduly alarmed by that prospect. We believe that they must be quite aware, particularly in the light of experiences of recent months, of at least the immediate consequences of such a breakdown. We believe that the political pressures upon them are such that they are unlikely to be significantly influenced by Canadian suggestions as to the course that they should follow. We have accordingly concluded that Wilgress's suggestion that you should urge a broad course of action upon them is unlikely to be sympathetically received or to have much effect.

2. On the other hand, in accordance with the Minister's views as indicated in our telegram E-742 of May 14, we believe that some effort to exercise a major influence might now be appropriate. Unless you see reasons for not doing so, you should now seek an interview at a suitably high level in which you would express the concern of the Canadian Government at the lack of favourable developments in the Paris negotiations of last week. You should emphasize our sympathy with the U.K. position, but indicate that we see little prospect of agreement unless they can find it possible to make some concession towards the position held by the United States. While we are not urging them to make such a concession, we would be most interested to learn whether their position would admit of any such concession. You should then use your own judgment as to how far to press for a

specific statement of what concession, if any, it might be possible for the U.K. to accept. If it should appear that there is some real concession that could be made, and if the conversation is progressing favourably, you should enquire whether it would be of assistance for a suggestion involving this concession to be made by Canada or for that matter any other country or whether on the other hand the U.K. is preparing some further statement to deliver on its own account.

3. We would hope from such an interview to get a clearer picture than we now have of the degree of freedom which the U.K. Government may be able to exercise and hence of the prospect that there may still be of a compromise agreement being reached. We would not wish at this stage to seek to persuade the U.K. to follow a particular course so much as to learn precisely what courses there are open to them.

4. You should find an opportunity to explain incidentally that suggestions which have been put forward by Canadian representatives in Paris have been intended to explore the possibilities of compromise rather than to represent the position of the Canadian Government or any specific Canadian proposals. We have in mind here that the conversations recorded in Paris Embassy telegram 402 of May 15† may have led the U.K. Government to conclude that we have decided we are not prepared to support a position acceptable to them, a conclusion which may finally prove true, but which we would not wish to leave in their minds at this time.

[J.] LÉGER

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740. DEA/11045-H-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 1084 London, May 17, 1957

SECRET. IMMEDIATE.
Reference: Your E768 May 16.
Repeat Paris, Washington, NATO Paris (Information).

REVIEW OF CHINA CONTROLS

I have just seen Wright, Assistant Under-Secretary at Foreign Office. I told him that, as they knew, we regarded UK position on elimination of China differential as closely in accord with our own views. Nevertheless, we were concerned at prospect of breakdown of current discussions in Paris and wondered how much room for manoeuvre, if any, there was in UK position. I made it clear that we were not urging UK to come forward with compromise proposal, if their minds were closed to compromise. If on the other hand, there was some form of compromise they were prepared to consider but which they would not wish to put forward on their own initiative, it might be possible for us to help.

2. In reply Wright left me in no doubt that UK position was rigid and that there was little disposition here to contemplate any form of concession. He told me that revised American proposals had been turned down at today's meeting in Paris and that Heads of Delegations were due to meet on May 21 to decide whether any useful purpose would be served by resuming discussions. He said UK continue to believe that elimination of China differen-

tial is only sound course of action and that, in these circumstances, they can see no reason for coming forward with compromise proposal that fell short of their objective.

3. Wright did not however leave me with impression that UK are indifferent to consequences of final parting of ways with Americans over this issue. This will certainly be one of the considerations which Ministers will have in mind when they decide on next step between now and Tuesday. My own feeling is that some form of face saving formula might still have a chance of being accepted by UK provided it meets their position in substance and is sufficiently simple to satisfy public opinion here that there has been a real easing of China controls. I think that formula along the lines set out in paragraph 3 of your telegram E742 meets these criteria and you might wish to consider putting it formally to UK Government. Obviously however the matter of timing is now crucial.

[S.D.] PIERCE

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741. DEA/11045-H-40

L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures

Ambassador in France
to Secretary of State for External Affairs

TELEGRAM 415 Paris, May 17, 1957

SECRET. IMMEDIATE.

Repeat London, Washington, NATO Paris (Information).

REVIEW OF THE CHINA CONTROLS

The USA this morning presented their revised proposal merely with the statement that they hope that it would prove acceptable to the other governments. The UK replied in terms outlined in London's [1084]. They did not offer any suggestion of their own but said that they would still be prepared to consider any extensive improvement of the USA proposition. France and Japan followed the UK lead. Germany and Netherlands regretted that the USA proposition had proved unacceptable but expressed the hope that agreement would eventually be reached. Belgium said that if any differential were to remain it would have to be merely symbolic.

2. Now that the decisive stage has been reached, we have permitted ourselves to explore the views of other delegations in private conversations. If the UK continue to maintain a complete uncompromising position they will probably be supported by France and Japan. They are not assured of the full support of some of the other delegations. In the event of a breakdown, it is possible that Germany and the Netherlands and possibly Belgium, Italy and Norway will in some way disassociate themselves from the extreme position of the UK, Japan and France.

3. We do not see a likely prospect that the USA can now bring forward a further proposition without some prior assurance that it will be seriously considered. Assuming that the results of this discussion will not long be secret from Members of Congress they will face the dilemma that they will have to admit almost complete surrender of their principles or acknowledge that the other Members have reached the decision in disregard of USA expressed convictions. If they have to choose between these two evils it is possible they will choose the latter.

4. Insofar as the UK is concerned, we think they have reached the point of abandoning hope of an agreed solution which they could accept. We believe that they are now turning their minds to finding the means to give effect to a disagreement with the least amount of recrimination.

5. None of the other delegations except Germany and ourselves seem to have given constructive thought to the possibility of devising a compromise formula. The Germans have a formula almost identical with our thinking. Neal will confer with Mr. Wilgress tomorrow to consider if we can suggest any Canadian initiative that would have a prospect of success together with the timing and method of presentation.

6. They will consider the proposition which has occurred both to us and to the German delegation and which may indeed be put forward by that delegation although they have not been authorized to do so yet. We understand that Mr. Adenauer may have had some discussion of this subject in Washington. Our latest proposition which like the others we put forward is intended only for exploration involves the complete elimination of the differential subject to the following:

(a) For List II items prior consultation on an adhoc basis for the time being with quantitative limits to be agreed in November;

(b) Special reporting for certain List III items which may be considered of particular importance;

(c) For the time being, 29 other items on List III will be subject to prior consultation procedure pending a review of their possible strategic importance by the China Committee. These 29 items are all items which were downgraded to List III from List I or List II in the 1954 review in the face of USA objection. We can send you the list if you wish it.

7. The UK would probably accept (a) and (b). This has been represented to us, however, on a personal basis as the absolute maximum they could accept. We feel equally certain that the USA would not go that far and we feel that the addition of point (c) would constitute a reasonable concession to ask from the UK. We think it possible they might take it under pressure.

8. The proposition outlined in the paragraph above will form part of the general discussion with Mr. Wilgress tomorrow. We have thought it wise, since Monday is a holiday in Ottawa, however, to put it forth in a preliminary way in case you wish to guide our further exploration of possible courses of action.

9. With respect to paragraph 4 of your E768, we think the UK delegation here is well aware that our suggestions of possible solutions have been exploratory and indicate the importance we attach to reaching an agreed solution rather than any tendency to support a position which they could not accept.

10. We envisage also the possibility that you would regard as somewhat more objectionable a breakdown in the negotiations after the Canadian intervention than if there had been no such intervention. We gather that the UK would welcome a proposal by us which would involve only points (a) and (b) set forth in paragraph 6. But we think they want this only for tactical reasons to smoke out the absolute minimum to which the USA would agree. We have the impression that the UK would be prepared to go somewhat further than (a) and (b) and disincline at this stage to lend ourselves to a purely tactical manoeuvre of another delegation. We also realize that it would be awkward for the UK if we came forward with a proposition they felt unable to accept but which was accepted by the USA.

11. In view of urgency of matter we have put forward these preliminary views in advance of our consultation with Mr. Wilgress but you may expect more on Saturday.

742.

DEA/11045-H-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council to Secretary of State for External Affairs

TELEGRAM 821

Paris, May 20, 1957

SECRET. IMMEDIATE.

Reference: Paris Embassy tel 415 May 17.

Repeat Paris, London, Washington (Information).

REVIEW OF CHINA CONTROLS

I returned on Saturday noon from a visit to the First Canadian Air Division and studied the messages on this subject that had been exchanged on Friday. After consulting with Neal I decided to wait until today before letting you have my considered views.

2. In paragraph 6 of Paris Embassy telegram under reference, Neal has set forth two possible courses of action. The first would be for Canada to put forward points (a) and (b). The second would be to put forward these two points along with point (c) as the possible basis for a compromise.

3. The first of these two alternatives resembles the formula set out in paragraph 3 of your telegram E742 but is expressed in a form technically more intelligible to the members of the Committee. The UK probably would welcome Canada putting forward this proposal as it would serve to test out the absolute minimum to which the USA would agree. It also represents the maximum which the UK feel at present they can accept.

4. The second of the two alternatives is much more in the nature of a compromise. It represents a position between the two extremes and is therefore a formula the USA might be induced to accept. The UK would not like it because it involves a prolonged review by the Committee of controversial items. This is something to which they have objected from the outset of the present discussions.

5. On the question of timing the first alternative is one which we would have to put forward in the next day or so, whereas the second alternative could be deferred until it becomes absolutely certain that an impasse has been reached.

6. Obviously, if we adopt the first alternative we would have fulfilled our role of honest broker. We would then have to leave it to some other delegation to add later point (c) to points (a) and (b). It is not certain whether the German or any other delegation would be prepared to do this.

7. Since it is desirable that when we do intervene in the Committee with a formal proposal it is one that is likely to lead to a resolution of the deadlock, I would suggest that first of all Neal should discuss privately with the USA delegation points (a) and (b) with a view to ascertaining their reactions. Neal could then tell the UK delegation what he had learned from the Americans and indicate that this is leading us to consider putting forward a more far-reaching proposal with a view to arriving at a compromise. London could explain the situation to the UK Government and indicate the nature of the compromise proposal we intended to put forward. In our view this would be the second alternative referred to above,

since we do not consider that any of the other suggestions so far put forward are likely to achieve the objective we are aiming at.

[L.D.] WILGRESS

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743. DEA/11045-H-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council

TELEGRAM E-780 Ottawa, May 20, 1957

SECRET. IMMEDIATE.

Reference: NATO telegram 821 May 20 and Embassy Paris telegram 415 May 17.
Repeat Paris, London, Washington (Information. Priority).

REVIEW OF CHINA CONTROLS

In the light of Neal's excellent analysis in Paris Embassy telegram 415 we agree both in content and in tactics with the suggestions put forward by Wilgress in his telegram 821.

As we see it, Neal will now try out his first formula (points (a) and (b) of paragraph 6 of his telegram 415) on the USA. If it is accepted, it should then be easy to persuade the UK and others to agree also. If USA reaction cannot be obtained at once, the UK delegation should perhaps be warned that we are discussing a possible compromise suggestion with the USA. If this first proposal is unacceptable to the USA, as on the whole seems probable, it remains to consider the second formula — i.e. points (a), (b) and (c) of paragraph 6 of Paris tel 415. Before this is introduced in the Committee there should be discussion with the UK; if the UK reaction is such that it seems worth while to go ahead, it would probably be desirable to seek the support of others such as Germany who appear hesitant about supporting an uncompromising stand against the USA. At the same time Canada House could be outlining the situation, and the nature of our contemplated proposal, to UK authorities in London. It may be useful for London and Paris to maintain contact by phone.

The precise timing and tactics of presenting a proposal in the Committee will no doubt be affected to some extent by the outcome of bilateral talks such as those suggested, and in any event will have to be determined in Paris in the light of the situation as it develops. In all of this you will no doubt have in mind the Minister's comment, reported in one of our earlier telegrams, to the effect that we should not take a formal initiative if it would have but little chance of leading to agreement between the UK and the USA, but that we should be alert to seize any opportunity which holds reasonable prospects of achieving that result.

Since the paragraphs above were written we have received London's telegram 1107† reporting UK-USA negotiations in London. Obviously Canada should not act in any way which might embarrass these two governments in the Committee or impede their reaching agreement bilaterally. While we see no occasion to alter our earlier comments, this new development underlines the fact that the decision whether, when and how to proceed with a Canadian proposal must be taken in Paris in the light of the latest info available at the time.

744. DEA/11045-H-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

SECRET [Ottawa], May 24, 1957

REVIEW OF THE CHINA CONTROLS

The negotiations in Paris have reached a critical stage where something must give. The U.S.A. has been insistent on preserving "a substantial differential", although they have gradually made concessions of some significance. The U.K., on the other hand, has steadily refused to move from its original insistence on complete or virtually complete abolition of the China differential.

On Tuesday of this week we were informed in London (Telegram 1115 of May 21†) that U.K. Ministers had decided to reject the latest U.S.A. proposals and had concluded that there was in the circumstances no scope for compromise. The same day (Telegram No. 1113†) the Foreign Office spoke to Canada House in terms apparently designed to discourage us from proposing a compromise.

On Monday we had authorized Wilgress (Telegram E-780) to exercise his own discretion as to whether, when and how to proceed with a Canadian compromise proposal, bearing in mind your earlier comment to the effect that we should not take a formal initiative if it would have but little chance of leading to agreement between the U.K. and U.S.A., but that we should be alert to seize any opportunity which held reasonable prospects of achieving that result.

In the Committee on Tuesday (Paris Telegram No. 427†) "the majority of the Committee were concerned about the consequences of a breakdown now that one seemed imminent" and a good offices group consisting of Belgium, Canada, Italy and the Netherlands was established to attempt a compromise. They learned that their original proposal was "totally unacceptable" to the U.K., and prepared a modified proposal. The chairman by an "intentional error" tabled both proposals in the Committee, and the U.K. promptly declared one, the U.S. the other to be unacceptable.

The following day Canada House was told (Telegram No. 1129†) that the Foreign Office fully appreciated our reasons for undertaking a last-minute mediatory effort but that both compromise proposals were unacceptable. It was expected in London that, "unless a miracle occurred", the U.K. would inform the Committee meeting on Thursday that they were "proceeding with alignment of China and Soviet bloc controls in accordance with original wishes of majority of Committee". Earnscliffe called on instructions on Wednesday evening to give us a statement in almost identical terms. We reported this démarche to Paris (Telegram No. E-793†), indicating that we had "expressed regret that apparently it had not been possible for an acceptable compromise to be worked out. Our latest information from Paris had indicated a widespread interest in seeking a compromise and that the efforts to this end, which according to last report were still being made, might in fact be successful". We advised our delegate that, if a U.K. statement along the lines indicated were made, he should express regret at the breakdown of the negotiations but avoid appearing to blame any one government.

On Thursday morning Paris reported (Telegram No. 433†) that the U.S.A. at the meeting that day would announce "unqualified support" of the more favourable (to the U.S.A.) of the two compromise proposals, and would be supported fully by Belgium, the Netherlands, Turkey, Italy and Germany and supported partially by Japan.

We have not yet received our delegate's report of the Thursday meeting.[107] Late Thursday afternoon, however, the senior U.S. Counsellor (in the absence of the Ambassador and Minister) called on urgent instructions to make earnest representations. He said that the U.S.A.-supported compromise proposal had been put to a vote, with eight voting in favour, five against and Canada abstaining. (This leaves one of the fifteen members unaccounted for.) He said that the U.K. had undertaken to submit a new paper, probably by Monday of next week, and that the Committee would meet next Wednesday to vote again. (Formal voting is a novel procedure; it is not clear whether voting for a particular proposal implies a commitment to apply the provisions of that proposal even if it is not unanimously accepted. The report of a new U.K. paper and another meeting next Wednesday is surprising in view of the U.K.'s declared intention, barring a "miracle", of breaking off the discussions this week.).

The U.S. Government, the Counsellor stated, was urgently pressing those concerned to review their positions and consider whether they could not at next week's meeting switch to support of the U.S.-supported compromise formula. He assumed that this was in the hope that if all or most of the support still remaining to the U.K. could be drawn off, the latter faced with the prospect of isolation might give way.

We replied that we would consider these representations and inform the U.S.A. of the Government's position.

It appears to us that the U.S.-supported compromise, reportedly supported by an 8-5 vote, is not freely acceptable to the group as a whole. While the U.S.A. may be able to force its acceptance without formal dissent, it is unlikely to provide a satisfactory basis for the future application of China controls or to avoid continued dispute on this question between the U.S.A. and the U.K. It is most questionable, moreover, whether even the threat of isolation will intimidate the U.K. If they continue to reject this formula we would be in a most ambiguous position if we have in the meantime agreed to support it. Our general position has been to refuse our support for any proposal not acceptable to the two main opponents, and we do not consider that the latest U.S.A. representations give cause to abandon that position. To support the proposal, moreover, might imply an obligation to apply its terms (which are not on their intrinsic merits in accord with the Canadian position) even if it is not unanimously accepted.

For these various reasons, I consider that the abstention reportedly recorded by our delegate on Thursday was the action according most closely with our general position, and in the absence of some major new development will be equally appropriate next week. I recommend that, unless some important new development arises, we should let it be known prior to next week's meeting that we will not support any proposal which is not acceptable to the group as a whole. I also recommend that we now inform the U.S. Embassy of this position.[108]

J. L[ÉGER]

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[107] Note marginale :/Marginal Note:
This has just arrived & is attached. Telegram No. 202 of May 24† from Paris. [J. Léger]

[108] Note marginale :/Marginal Note:
OK L.B. P[earson]

745. DEA/11045-H-40

Note du chef de la Direction économique pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division, to Under-Secretary of State for External Affairs

SECRET [Ottawa], May 27, 1957

STRATEGIC CONTROLS ON TRADE WITH CHINA

In a separate memorandum† we have proposed a line which might be followed in dealing with press enquiries concerning the expected news of the U.K. decision to eliminate the "China differential" from its export control procedures.[109] That line may appear to differ in emphasis from the view implied in the Minister's comment on the attached telegram.†

2. That comment of course applied to instructions to our representative in the Committee, who would be speaking in closed session. We had a variety of reasons for taking an impartial position there, of which perhaps the main one was to preserve our "honest broker" status as long as there was any possibility of continued negotiation.

3. It is our view that public comments by Canadian spokesmen on the breakdown should continue to be impartial. When the negotiations opened our own position was admittedly close to that of the U.K., and we had little sympathy with the U.S. proposals. During the negotiations the U.S. has made a series of concessions, however, which in our view did not go far enough but nevertheless did represent a real effort to reach agreement. The U.K. on the other hand has consistently refused to make any concession of substance. It would not be true to say that all the blame for the breakdown is on the U.S.A., although there is no doubt that continued U.S. intransigence over a two year period did much to make the U.K. stubborn when the U.S. finally consented to negotiate.

4. There is before us, moreover, the difficult and delicate problem of what policies and procedures Canada should follow in future now that there is no longer a generally agreed China differential. On the one hand there is not much commercial pressure on us domestically to abandon the differential, and the U.S. authorities will undoubtedly press us hard to retain it. On the other hand we have never regarded the differential, or at least the great bulk of it, as justified on objective strategic grounds. It is a question deserving careful thought exactly what course we should follow, and we would not wish any early public

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[109] Le 30 mai 1957, Selwyn Lloyd déclarait à la Chambre des communes que « in future we shall adopt the same lists for China and the Soviet Bloc », éliminant ainsi unilatéralement le « China Differential » des procédures britanniques de contrôle des exportations et mettant un terme à l'impasse à Paris. Voir *Documents on International Affairs, 1957*, London: Royal Institute of International Affairs - Oxford University Press, 1960, pp. 428 à 430.

On May 30, 1957, Selwyn Lloyd announced in the House of Commons that "in future we shall adopt the same lists for China and the Soviet Bloc," unilaterally eliminating the "China Differential" from British export control procedures and ending the stalemate in Paris. See *Documents on International Affairs, 1957*, London: Royal Institute of International Affairs - Oxford University Press, 1960, pp. 428-430.

statement to restrict our freedom of action unless such a statement is really necessary. We have accordingly recommended a cautious and neutral public line, at least for the present.[110]

L.E. COUILLARD

3^e PARTIE/PART 3

CORÉE
KOREA

746. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 51-57 Ottawa, March 6, 1957

CONFIDENTIAL

WITHDRAWAL OF COMMONWEALTH FORCES FROM KOREA

There has been outstanding for some time a United Kingdom proposal that the Commonwealth contingent in Korea should be withdrawn, and that a joint approach of old Commonwealth members should be made to the United States Government on the matter.

2. The New Zealand Government replied to the United Kingdom proposal on February 5 indicating that it would wish to have an informal indication of the United States Government's reaction to the suggested withdrawal before a final decision on the matter. It skirted the question of a joint approach to the United States authorities suggesting that the United Kingdom should "in the first instance" sound out the United States authorities.

3. The Australian Government does not plan to oppose the United Kingdom proposal. It would not, however, join in a joint démarche to Washington. When in due course the United Kingdom approach leads the United States authorities to enquire about the future of the Australian contingent, the Australians would explain that it would not be practicable to retain their contingent once the United Kingdom element was withdrawn.

4. Mr. Sandys informed Mr. Dulles, during his visit to Washington on January 29, that the United Kingdom wished to withdraw the United Kingdom contingent from Korea as soon as possible. Mr. Dulles is reported to have said that he would be sorry to see the Commonwealth division withdrawn, as he did not like to see the United Nations forces scaled down in this manner. He said that the presence of the Commonwealth contingent had a great effect in restraining Syngman Rhee from rash adventures. He wondered whether a facade of Commonwealth representation might not be preserved by the maintenance of liaison officers in Korea.

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[110] Note marginale :/Marginal Note:

If we adopt a different policy from that of the U.S. there will be a real danger that we might become a channel for US exports to China. This in turn would endanger our preferred position as an importer to the U.S. No public statement should be in conflict with any practice we may have to adopt to protect that position. W.D. M[atthews]

5. The Department of External Affairs believes that there is some, though probably dwindling, political advantage to be obtained from the retention of Commonwealth forces in Korea, and that Canada should not take part in a joint démarche to the State Department. The Chairman, Chiefs of Staff, agrees that there is some value in keeping the United Nations characteristic of the force in Korea, even though the present Commonwealth contingent there has no particular military value.

6. The economic arguments which have probably led the United Kingdom to make their proposal can be appreciated. We must, as well, admit the right of the United Kingdom to withdraw its troops from Korea if, in its view, circumstances warrant that withdrawal. In the circumstances, however, we see no reason why we should press the United States to agree to a withdrawal of the Commonwealth forces, even though we cannot object to the United Kingdom making its case. The retention of the small Canadian unit currently in Korea (approximately 22 personnel) is not a problem for us.

7. In view of the foregoing the following course of action is recommended:

(a) That we now inform the United Kingdom that:

(i) Canada would offer no objection to the withdrawal of United Kingdom troops from Korea;

(ii) the Canadian Government would not, at this stage, think it essential that a joint approach be made to the United States on the subject;

(iii) Canadian authorities would like to be kept informed of United Kingdom discussions with the United States authorities on the subject;

(iv) if the United Kingdom Government should decide to alter the size or the nature of its contribution, the future of the Commonwealth contingent and of the Canadian contribution, would have to be reviewed in the light of circumstances which would then exist.

(b) That our Embassy in Washington be instructed to indicate our attitude informally to the State Department.[111]

L.B. PEARSON

747.

DEA/50396-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM Y-173

Ottawa, April 18, 1957

SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Your tels. 842 of Apr. 10† and 864 of Apr. 11.†
Repeat London, Candel New York (Information).
By bag Paris, Canberra, Wellington, Tokyo, New Delhi, Saigon, Hanoi, Phnom Penh, Vientiane, Berne, Stockholm, Warsaw, Prague.

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[111] Note marginale :/Marginal Note:
Agreed. L. St. L[aurent]
These recommendations were approved by Cabinet on March 7, 1957.
Ces recommandations ont été approuvées par le Cabinet, le 7 mars 1957.

KOREA: ARMAMENT REPLACEMENTS

You will see from our telegram Y-170 of April 16† that you or a member of your staff will probably be called in to be informed individually of U.S. desires in the matter of arms for the U.S. forces in Korea.[112] We are not yet in a position to express Ministerial or even Departmental views; indeed, much will depend upon the manner in which the subject is broached. However, in order that you may be able to know what our very tentative first thinking on this subject is and may be able to frame questions more purposefully, we are outlining below the direction which thinking is taking on the official level and the basis on which we intend to institute the necessary intra- and interdepartmental consultations in Ottawa.

2. We believe that from a purely military point of view a move toward modernization is probably desirable but other considerations, such as our involvement in armistice and cease-fire supervisory work elsewhere in the world where it is very much in our interests to encourage scrupulous observance of agreed terms, make us somewhat reluctant to appear to condone a possible violation, technical or other, of the Korean Armistice Agreement, even though we recognize that the provocation for such a possible violation has been great and that such a move can be justified on military grounds. We are aware that the United States will almost certainly press its wishes to a conclusion, and our concern is therefore concentrated more on the method by which the United States will seek to achieve its ends than on the ends themselves.

3. In your telegram No. 505 of March 4† you described the three possible methods foreseen by Mr. Dulles as:

(a) to argue that the Korean Armistice Agreement is no longer in force;

(b) to maintain that the KPA/CPV side had already violated the Armistice Agreement by introducing military equipment into North Korea and the U.S.A. would therefore be justified in doing the same;

(c) to take the view that the introduction of modern weapons into South Korea by the U.S.A. would not legally be a violation of Article 13(d) of the Agreement.

It would appear certain that the U.S. authorities have wisely decided to rule out the first alternative. Little thought therefore has been devoted to this course of action beyond assuming that we would oppose it strongly, an attitude which would no doubt be shared by the other interested powers with the probable exception of the ROK.

4. Recent information would seem to indicate that U.S. authorities apparently favour basing their action on the second alternative. In adopting such a course of action UNC would presumably argue that they would not be violating any provisions of the Armistice which the opposing side has not been disregarding for some time, a continuing process which has resulted in a KPA/CPV force which is more powerful now than at the time the agreement was signed.

Although we recognize the force of this type of argument and that the situation it describes is one of the main reasons for the modernization venture, we do not favour its use alone as the announced motive and justification. In the debate which could be expected to follow this move, we do not think it would be advisable to have the UNC clearly enunciating, as the basis of its policy, that violations are justified, even if undertaken in response to strong provocation. You will recall that this consideration formed the grounds for our objection to arguments put forward in support of the expulsion of the NNSC from South Korea last summer. Moreover, as the main and declared intention of the UNC, this argument as you have noted runs counter to presidential statements on the morality of Middle East policies, and while this criticism is not entirely likely from Communist sources it would no doubt be better if such conflicts and contradictions could be avoided or at least minimized. Finally there is the difficulty which the State Department has already mentioned, namely, the focussing of world attention on KPA/CPV violations in such a way as to muster support and understanding for the proposed move. Although the fact that violations have occurred is well known, their precise nature would have to be cited chapter and verse if the *quid pro quo* approach alone were to be effective and such substantiation the U.S. is apparently not prepared to give since the acquisition of this information is in itself a violation of the Agreement as pointed out in paragraph 3 of the New Zealand message we repeated in our telegram No. Y-170 of April 16.

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[112] Dulles était, dit-on, « anxious » de moderniser les forces américaines en Corée, une mesure qui aurait comporté l'introduction d'armes à double usage. Les armes atomiques ne devaient pas être déployées en Corée, mais Dulles ne voulait pas que cette option soit « foreclosed ». Washington à Ottawa, télégramme 505, 4 mars 1957, MAE 50396-40.

Dulles was reported to be "anxious" to modernize American forces in Korea, a step which would include the introduction of dual purpose weapons. Though atomic weapons would not be deployed in Korea, Dulles did not want this option "foreclosed". Washington to Ottawa, Telegram 505, March 4, 1957, DEA 50396-40.

16. The third or quote technical "alternative", although inconsistent with the statements of the UNC representative on the MAC at the time of the NNSC expulsion from South Korea regarding the "illegality" of KPA/CPV side actions in bringing modern weapons into North Korea, probably forms the basis of the most tenable position in the circumstances. In adopting this position the UNC might argue that, under the terms of the armistice, replacement of equipment is perfectly legal but compliance with the regulations concerning the identity of type and effectiveness would be impossible since the equipment now being used in Korea is no longer in production. Thus if new equipment were introduced, it could be described as being as nearly identical to the old as is possible in the changed circumstances of armament production. This plan of action presupposes, of course, that the whole modernization operation would be carried out quite openly and subject to the procedures which are now applicable to replacement and rotation, since it is difficult to see how such a process could be kept even in the twilight as the U.K. would appear, from London's telegram 761 of April 15†, to be advocating. Moreover this approach to the problem presupposes that, as Mr. Dulles informed Mr. Sandys, the U.S. is not attempting to bring about an absolute increase in military potential in Korea.

7. To our mind, the *quid pro quo* and technical arguments are not mutually exclusive and if the UNC position is based primarily on one, the other can be adduced as a reinforcement. As indicated above and in the interests of maintaining a semblance of legality, we are at present inclined to favour making the technical argument the main basis for the action, leaving the doctrine of reciprocal wrongs as a reply with which to meet the first onslaught of objections from the KPA/CPV side. This plan of action would leave what is essentially a defensive tactic to be used in a context where it would be appropriate while the main basis for action, i.e. technical reasons, is less susceptible to being interpreted as related primarily to the Korean situation.

8. In carrying out the programme envisaged above we assume that the usual report would be made to the NNSC. In addition we believe there would be some virtue in replacements being carried out as gradually as would be consistent with the maintenance in operational condition of the forces concerned. If technical reasons are put forward as the main basis for the modernization project, it would be advisable to forestall, if possible, its appearing as a sudden move undertaken with a sense of urgency. We are consulting our own military authorities about the possibility and the preferability of introducing new equipment by

stages, waiting until the forces are largely re-equipped before undertaking their reorganization. The charge that the U.S. is planning to re-open hostilities will almost certainly be made and if this whole operation is carried out with an appearance of urgency the KPA/CPV side in their excitement might be convinced by their own propaganda. We shall be able to form a better opinion on these points when we have received military advice.

9. We should be grateful for your comments on this preliminary outline of our position; while you will not want to advance the foregoing argument, a knowledge of it may enable you to elicit additional information. We should be interested also in any further information or opinions you may be able to obtain in connection with the following aspects of the modernization programme.

(a) The role of the NNSC. Will it function throughout in its present truncated form? Is any thought being given to the possibility of reviving the mobile teams temporarily to inspect the importations, thereby indicating a literal interpretation of the "suspension" of the NNSC's rights in South Korea. While this is highly unlikely, if for no other reason than that the U.S. may not be anxious to give the Poles and Czechs any unnecessary opportunity to become familiar with the new equipment, it is nevertheless a possibility which may have been considered.

(b) On the question of the relationship between modernization and other military moves being contemplated in the Far East, we should be interested to know whether any thought has been given to the possible consequences of providing new equipment to UNC forces in Korea at about the same time as the transfer of U.S. Far Eastern Command Headquarters from Tokyo to Seoul. You will recall that when modernization was under consideration last summer we agreed with the U.K. position that the dust should be allowed to settle on the NNSC expulsion before any moves were made in this direction. The present combination of circumstances would appear to be comparable from the point of view of possible Communist reaction.

(c) We understand that although no nuclear warheads will be sent to Korea the provision of dual purpose weapons will form part of the modernization. This is of course a politically explosive issue in the Far East, especially in Japan at present, and we wonder what thought has been given in Washington to the publicity which may attend this aspect of the project.

10. We have marked this telegram for Canadian Eyes Only because of its reference to the New Zealand message transmitted to you earlier and because of the very tentative nature of its contents.

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748. DEA/50396-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 949 Washington, April 23, 1957

SECRET. PRIORITY.

Reference: Your tel Y173 Apr 18.
Repeat London, Candel New York, Paris (Information).
By bag Canberra, Wellington, Berlin, Stockholm, Warsaw, Prague from London and Tokyo, Delhi, Saigon, Hanoi, Phnom Penh, Vientiane from Ottawa.

KOREA: ARMAMENT REPLACEMENTS

We attended a meeting this afternoon in the State Department of representatives of the Old Commonwealth on this subject.

2. Mr. Walter Robertson, who presided, outlined the background of the situation pointing out that the KPA/CPV side had made a scrap of paper out of Article 13d of the Armistice Agreement, bringing in aircraft, artillery and other military equipment in violation of the Agreement through points of entry other than those designated in the Agreement, and by rendering ineffective the inspection system through the assistance of the Poles and Czechs on the NNSC. The UNC on the other hand had meticulously observed the provisions of the Armistice Agreement and as a consequence now finds its forces operating with equipment no longer in use or in production and at a disadvantage militarily in comparison with KPA/CPV side. The situation could be rectified and a considerable saving effected if the UNC forces could be equipped with new and modern weapons. This move would also have the important effect of maintaining ROK morale.

3. Admiral Radford then explained in some detail the changes which had taken place in the military strength of the KPA/CPV side since the armistice and the reductions which had been made in the UNC forces. He pointed out that through the manipulation of the terms of the Armistice Agreement the Communists had built up their forces in North Korea while holding the UNC forces static. He said that it was the view of the USA military authorities that if steps were not taken to rectify the situation there would be a greater likelihood of a resumption of hostilities since weakness on the UNC side would invite aggression and furthermore the position of the UNC side at the conference table would be much weakened. He then produced the evidence available to show the extent of the Communist military build-up, arguing from the normal requirements of armed forces of the present size of the KPA/CPV side, from reconnaissance photographs of airfields in North Korea, from radar tracks of air activity over North Korea, and from admissions which the KPA/CPV side had made in the Military Armistice Commission. This evidence he said had been corroborated to a considerable extent by defectors from North Korea. For some time the military advice of the Joint Chiefs of Staff had been that the UNC forces in Korea must be modernized or face the possibility of defeat should hostilities be resumed. If the two USA divisions in Korea could be modernized with the most effective weapons it would be possible to ensure that no aggression would take place. A by-product to this would be the increased confidence of the ROK Government that a successful defence could be made against any possible sudden aggression and furthermore it might be possible to reduce the ROK Army by four divisions and thereby cut down the USA bill for foreign aid to Korea. Admiral Radford concluded by outlining the sort of equipment the USA defence authorities propose to introduce to Korea in a modernization programme.

4. Mr. Robertson then invited suggestions from the Commonwealth representatives as to how the political problem posed by the necessity for modernizing the UNC forces might best be handled. The British Ambassador enquired as to what the USA thought would be the best arguments to deploy in defence of a modernization programme and what procedure was contemplated — whether it was proposed to inform the Secretary General of the UN by letter or to carry the programme out and say nothing publicly. Mr. Robertson indicated that the USA authorities had an open mind on the subject and wished to hear the judgement and the reaction of the Commonwealth representatives.

5. The New Zealand Ambassador emphasized that it would be necessary to prove to the world that the Communists had violated the Cease Fire Agreement in the manner indicated by the USA intelligence reports. He also emphasized, as did the Australian representative,

the importance of timing in any modernization programme, and expressed his personal opinion that if it was done close to the time of the next session of the UN General Assembly, the move would stir up a formidable hornet's nest. Several attempts were made to elicit from the USA representatives what sort of timetable they had in mind for laying on their modernization programme, but no specific reply was given. We enquired whether a rapid operation was contemplated but Admiral Radford indicated that while the defence authorities were ready and anxious to move on this as soon as possible, it was not expected that the new equipment would be rushed in over a short period.

6. In the course of discussion Robertson said that there appeared to be two courses of action open, namely: to apply a liberal interpretation to Article 13d, and by legal arguments to stretch its provisions to cover the modernization programme; or to argue that Communist action had in effect suspended the operation of Article 13d of the Armistice Agreement and therefore justified the UNC re-equipment programme. While he emphasized that the USA authorities had an open mind on the subject and that no course of action had yet been ruled out, he gave his personal opinion that the UNC ought to re-equip its forces in an above board manner providing public information, at least in general terms of what was being done.

7. The meeting was not particularly satisfactory since the Americans were unwilling to commit themselves to anything but the military necessity of carrying out the re-equipment programme and the Commonwealth representatives were unwilling or not in a position to urge any particular course of action. The only point of general agreement was that no one wished to see the armistice as a whole jeopardized, or its provisions other than those in Article 13d called into question. The indication was that we would hear further from the Americans when their views on how to handle this problem had matured further.

8. The British Ambassador commented wryly after the meeting that the USA, having followed a high moral line in the Mideast situation, were seeking advice from the Commonwealth on how to misbehave internationally in order to get out of their difficulties in Korea. By taking the initiative in inviting suggestions from the Old Commonwealth representatives the State Department has no doubt succeeded in some measure in obviating later criticism of such proposals as they may put forward, though all representatives made it clear that they had expected to ask questions rather than give advice. We were not asked to bring any proposals to a subsequent meeting.

[A.D.P.] HEENEY

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749. DEA/50396-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM Y-215 Ottawa, May 13, 1957

TOP SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Your tel. 1019 of April 30.†

Repeat London, Paris, Permis (Information).

By bag Brussels, Hague, Tokyo, Delhi, Hanoi, Vientiane, Phnom Penh, Saigon, Berlin, Stockholm, Warsaw, Prague, Canberra, Wellington.

KOREA: ARMAMENT REPLACEMENTS

The essence of what we have been asked to do by the State Department in the meeting of April 23 and by the U.S. Embassy in an approach here on April 25, is to offer suggestions as to the manner in which the intention of the United States to re-equip its two divisions in Korea should be justified. We have not been invited to comment upon the "necessity for modernizing the UNC forces" which has been stated to us as an assumption. Unless we are to challenge this necessity, the problem is therefore largely a procedural one and the views which are expressed in this telegram should be passed on as personal rather than official.

2. For your own information, the Canadian military authorities consider that "it is essential for the United States to modernize the equipment of its forces in Korea in the general programme of modernizing the whole of the 19 divisions of the United States Army ... this re-organization includes not only the provision of new types of armament but also a modified organization, and to a considerable extent, a modified tactical doctrine. In order to support these divisions in the field the programmes and training methods of the U.S. schools, training establishments and test and development stations will also be required to change their programmes, and the training of recruit, NCOs, specialists and officers will be based in future on this new type of equipment and organization and to meet the new tactical doctrine. It would therefore appear to be unsound and unreasonable to expect the United States to maintain separate schools, training facilities, test and delivery systems to look after the two divisions in Korea. We believe that this aspect of the problem is of much more significance than the one raised at the conference in Washington about the availability of equipment and spare parts now that these older weapons are out of production. It is only too obvious to any military expert that if the United States are going to re-organize their 19 divisions they will throw out a great deal of this equipment which is now in use in Korea and there should be no difficulty in providing all the spare parts required from the equipment of the remaining divisions which are to be re-organized and the pipeline and depot holdings in the United States. It is therefore quite apparent that the United States forces in Korea should be re-equipped in line with the re-equipping of the whole of the U.S. forces ... however, it is for consideration whether any special priority should be given to the re-equipping of these two divisions in Korea, or whether it would not be more acceptable if these two divisions were re-organized in the normal course of the development of the U.S. army."

3. It appears evident that the U.S. military authorities have decided to give priority to the re-equipment of the two divisions in Korea because they have so far modernized only one of their 19 divisions, and we can only speculate as to their motives. You will recall that when Mr. Duncan Sandys, the U.K. Minister of Defence, visited Washington early this year, he was assured by Mr. Dulles that the United States did not wish to increase the military potential of the U.S. forces in Korea. You later reported that this assurance was linked with the desire of the United States Treasury Department to reduce the U.S. financial commitment for the maintenance of Korean forces, and by the assertion of the U.S. military that it would be necessary to increase the strength of the U.S. forces in Korea in order to create the possibility that some Korean forces could be placed in reserve. From the way the issue is now developing, it appears that the strengthening of the U.S. forces is a certainty but that the reduction of the Korean forces is more problematical.

4. According to our assessment of the situation, there is no likelihood that we could — nor is it clear that we should — dissuade the United States from its intention of pressing ahead with the modernization of the two U.S. divisions in Korea. As you will see from the preceding paragraphs, there is a good case to be made for this modernization although

questions could be asked about the timing of it. Our aim in making personal suggestions on the procedure for handling this modernization should therefore be to try to secure some subsidiary benefits and at the same time both to avoid alarming the Communist side unduly and to do our best to make these developments as palatable as we can to neutrals. It can presumably be taken for granted that there will be no real problem in presenting the case for modernization to the people of the Western Alliance and its supporters. Nothing we could say and no way in which we could present this development would be likely to make the modernization itself more appealing to countries such as India, but it is in the interest of all of us not to make the modernization more unappealing than it has to be.

5. We are glad that there appears to be no disposition anywhere in the United States Government to approach the problem of presentation by arguing that the Korean Armistice Agreement is no longer in force. We would like to see the case presented cover the following points:

(a) The United Nations command should describe in as specific terms as possible the way in which the Communist side has already violated the Armistice Agreement by the introduction of new equipment. While we are aware that being specific might indicate the methods by which the UNC reached its opinion, we wonder whether the United Nations command could not make specific statements and refuse to say more than that the information was gathered by reliable and normal intelligence methods. The point which the spokesman for the UNC side made at the 71st meeting of the Military Armistice Commission on June 4, 1956 illustrates the way in which this might be done. According to the verbatim transcript of that meeting which you forwarded under letter No. 795 of June 5, 1956,† he said: "You have not since the beginning of the Armistice Agreement reported one single combat aircraft as having been brought into Korea. Yet we know you have introduced 400 to 500 modern aircraft into the area of your side. Do you expect the world to believe that this modern airforce of yours has ... operated for three years without even a single replacement aircraft?"

(b) The UNC should affirm in the clearest and most explicit terms its intention to observe strictly the ceasefire provisions of the armistice, in order that there may be a clear distinction between the intention of the UNC not to renew hostilities and the intention of the UNC not to be at a disadvantage in comparison with the Communist side in the light of the unexpected prolongation of the life of the Armistice Agreement through the lack of a definitive political settlement. The Armistice Agreement, of course, was intended to be a temporary agreement and was not drawn up with a view to lasting for four years and more. The United Nations command could therefore reasonably argue that a point must be reached where the passage of time must render some of the detailed administrative provisions of the Armistice Agreement inoperable while leaving the basic purpose of the agreement intact.

(c) The United Nations command should state that it is not its intention to increase the total strength of the United Nations command forces in Korea above the level of July, 1953, or, in other words, to initiate any form of arms race in Korea. The United Nations command could indicate that it would have been open to it to redress the balance in the same clandestine manner as the Communist side used to upset it, but that instead it is proceeding openly in order that there may be no misunderstanding as to its intention to continue to observe the ceasefire and merely to seek redress. It should state its intention to continue to submit reports, as it has done in the past, to the Neutral Nations Supervisory Commission.

(d) In our view, this approach could be made more convincing to the Communist side (and thereby reduce the risk of creating panic on that side with possible harmful repercussions, including an arms race) and more convincing to neutrals like India, if it could be coupled with the announcement of the agreement of the Republic of Korea to reduce its standing army by placing four divisions in reserve, as Admiral Radford suggested might be possible. It seems to us that this is the best way, moreover, to justify the modernization of the two U.S. divisions in Korea ahead of some of the other sixteen which remain to be modernized.

6. In putting forward the suggestions contained in paragraph 5 above, you will no doubt wish to make it clear that we are passing on these thoughts because we have been asked to comment. If a different course is followed, we are of course in no way committed to give active support to the United States in defence of its method of presentation.

7. You might be interested in one further aspect of the re-equipping of the two U.S. divisions to which we are giving some attention. The introduction of dual-purpose weapons creates the possibility that atomic warheads may at some time be used in Korea. As you know there has, almost from the beginning of the Korean War, been a custom of consultation between the USA in its capacity as the Unified Command and the representatives of the countries contributing forces to serve under the United Nations Command on important issues. The decision to employ atomic warheads would, in our current view, constitute an important issue exceeding earlier instances such as hot pursuit and an advance beyond the 38th parallel. Earlier consultations were carried out in the light of contributions of forces much more substantial than those which we now make. The point to which we are giving thought is the degree of likelihood that the USA would consult its allies among the sixteen before deciding to employ atomic weapons. In other words, how great is the degree of civilian control on both the U.S. national and the international plane likely to be? There are obvious dangers in broaching this question with the USA which might consider that such enquiries afford an opportunity to systematize defence arrangements in Korea (or even in the Far East as a whole) on some less tenuous basis than the warning declaration of 1953. You might be able to offer some observations on this aspect of re-equipment either from your past contacts with the State Department or from information which will become available during your current discussions. We should not, of course, wish you to raise this problem with the State Department in an overt manner.

[J.] LÉGER

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750. DEA/50396-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1166 Washington, May 17, 1957

SECRET. CANADIAN EYES ONLY. PRIORITY.

Repeat London, Paris, Permis, Canarmy for DMI, DMO&P from Ottawa and Brussels, Hague, Tokyo from Ottawa (Information).
By bag Delhi, Hanoi, Vientiane, Phnom Penh, Saigon from Ottawa and Berlin, Stockholm, Warsaw, Prague, Canberra, Wellington from London.

KOREA ARMAMENT REPLACEMENTS

The State Department convened a meeting with Old Commonwealth Ambassadors yesterday on this subject under the chairmanship of Mr. Walter Robertson. The new Chairman of the Joint Chiefs, and other State Department and Pentagon officials were present.

2. After recalling that at the meeting of April 23 Commonwealth representatives had asked for USA proposals as to how this problem should be handled, Mr. Robertson read a draft outline of a plan, the text of which is going forward to you in a separate message.†[113] We are sending this text to Ottawa only, as Robertson was initially not disposed to pass out copies, and requested that it be given restricted circulation to prevent leaks to the press.

3. In sum, the plan calls for a statement in the MAC no later than July 1/57, recalling Communist violations of the Armistice Agreement, stating UNC desire to maintain the agreement, claiming that Communist violations have upset the relative military balance, and arguing that in view of this the UNC considers that it is entitled to be relieved of corresponding obligations until the balance has been restored and the Communists have demonstrated their willingness to comply with Article 13(d); accordingly the UNC proposes to replace its weapons with new items. Simultaneously a joint State-Defence statement would be issued in Washington, and a report would be made to the UN before August 1.

4. The British Ambassador, expressing the UK wish to be sympathetic with the USA desire to take the modernization steps, made three main points:

(a) It was important in the presentation of the UNC case to provide as much detailed material as possible on Communist violations of Article 13(d);

(b) It should be made abundantly clear that the UNC was not denouncing the Armistice Agreement as a whole;

(c) Special attention should be paid to timing: the UN should be informed as soon as possible after the statement had been made in the MAC; the sixteen should be informed before the plan was implemented; and the Swiss and Swedes should also be given advance notice.

5. Commenting on these points, Robertson said that the State Department had considered the possibility of informing some of the NATO powers — he mentioned Turkey and France — and possibly the Thais as well. He emphasized that there was no desire to withhold the report to the UN until August 1, and agreed that it should be rendered sooner if possible. Robertson said that they had also thought it desirable to inform the Swiss and Swedes of what was afoot.

6. The New Zealand Ambassador concurred in the points made by his British colleague and said that his government would like definite assurance that the ROK forces would not be provided with dual purpose weapons in connection with the modernization programme. Robertson assured him that this step had not been considered. Referring to the draft outline plan, the NZ Ambassador questioned the wisdom of the statement that Communist violations of the Armistice Agreement "strike at the very heart of the agreement". He was afraid that this language might suggest that the structure of the armistice would come apart

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[113] Pour une description de l'ébauche du plan américain, voir United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume XXIII, Washington D.C.: United States Government Printing Office, 1993 p. 434.

For a description of the draft outline of the American plan, see United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume XXIII, Washington D.C.: United States Government Printing Office, 1993 p. 434.

because of Communist violations of Article 13(d) and UNC intentions to regard this article as suspended.

7. The Australian Ambassador said he thought it would be preferable to refer to the Armistice Agreement as designed to freeze the military status quo rather than to maintain the relative military balance. He also thought the statement that "The UNC intends to observe all the provisions of the Armistice Agreement other than those as to which it is entitled to be relieved from compliance because of Communist violations" was rather too loosely phrased and would suggest that UNC intention was to regard more than Article 13(d) as suspended. He suggested an alternative wording along the following lines: "the UNC intends fully to observe all provisions of the Armistice Agreement save to the extent to which it is entitled to be relieved from compliance because of Communist violation."

8. The Australian Ambassador also said that great importance should be attached to the manner in which the UNC case was presented publicly. In view of the public debate which would inevitably follow the UNC announcement, it would be important to provide as much detail as possible concerning Communist breaches of the Armistice Agreement. The NZ Ambassador urged that the report to the UN should be made as early as possible and that as many governments as possible should be notified in advance of what was intended to be done in order to secure maximum support for the UNC position. At the same time he thought that there should not be too much publicity attached to the UNC. With respect to the report to the UN, Robertson emphasized that UNC did not wish to go to the UN seeking permission for what it intended to do or to give governments with no responsibility in the area an opportunity of attempting to dictate how the UNC should handle the matter.

9. In response to enquiries as to whether it would be possible to announce the reduction of South Korean forces at the same time that UNC intentions are indicated to the UN, State Department officials expressed doubt that this would be possible. They said that negotiations with the ROK Government on this subject would be initiated as soon as possible, but no guarantee could be given as to when agreement would be reached on this question. Concerning the details of Communist violations of the Cease Fire Agreement, USA officials said that much of the info made available to the meeting of April 23 on this subject could be made public.

10. We outlined the points made in paragraph 5 of your telegram Y215 May 13. With respect to your item (c), (i.e. that the UN command should state that it is not its intention to increase the total strength of the UN command forces in Korea above the level of July 1953), Robertson said that he did not think the UNC could make such an advance undertaking without a similar one from the Communist side. He thought it would not be wise for the UNC to bind itself unconditionally in this way. Robertson said he did not know how to answer our suggestion that the UNC should state its intention to continue to submit reports to the NNSC. It was clear from what he said that the USA initial view was that reports would not be submitted as long as the Communist side continued to make no such reports. Robertson suggested that the rendering of such reports would only embarrass the Swiss and Swedes and would involve recording with the NNSC admissions of violations which the Communists could exploit in propaganda. We did not receive the impression however that the USA authorities have completely made up their minds on this question: one of the USA officials suggested that if the UNC did make reports to the NNSC they would be in the most general terms. It was nevertheless apparent that the USA authorities were contemplating that cessation of reports to the NNSC would leave no remaining functions to that body and thus enable it to dissolve.

11. As indicated previously, Robertson said that no commitment could be made with respect to an announcement concerning reduction of the ROK forces; although this was definitely their intention it was not expected that a statement to this effect could be included in the UNC announcement.

12. We put to Robertson the question suggested in paragraph 2 of your YY227, May 16,† as to whether consideration had been given to proposing the revision of Article 13(d) in the MAC. Robertson declared himself as firmly and emphatically opposed to this idea and indicated that it would not be considered for a moment. He recalled that the Armistice Agreement compromised three elements: a Cease Fire Agreement, an agreement to political conference within 90 days, and the limitations on reinforcements contained in Article 13(d). He said that the only provision which the Communist side had kept was the ceasefire itself. He referred to the belief that fifteen USA flyers were still held by the Communist side and to the 450 military personnel who had not been satisfactorily accounted for as indications of the cavalier disregard of the Communists for their obligations under the Armistice Agreement. He also referred to the Chinese Communist breach of the agreement with the USA concerning the release of American citizens in Communist jails. He said that in view of this sort of record nothing could possibly be gained by negotiating anything further with the Communist side and to propose such negotiation would dignify them with the suggestion that they were capable of observing their commitments to the Armistice Agreements.

13. In concluding, Robertson stressed that the USA draft outline plan was very tentative and preliminary in nature and would be subject to further alteration and amendment. He undertook to let us know of any radical changes the USA authorities might make and said that we would be provided with copies when a final draft had been agreed to by the various USA authorities concerned.

14. When we were speaking to Nes (Korean Desk Officer) this morning about Korean claims he mentioned that the State Department intended to inform the French, Turks and Thais of USA plans with respect to re-equipping their divisions in Korea on May 20. The plan would then be worked over in the light of comments made by governments informed and further consideration by the USA authorities, and a final version of the plan would be put before a meeting of the sixteen which it was hoped would be held before June 15. Nes indicated that the State Department would be interested in any further comments we might wish to make.

15. With respect to the reduction of ROK forces, Nes said that the USA was planning to propose a package deal to President Rhee at the same time as the UNC statement is made in the MAC. This deal would involve the reduction of ROK forces by four divisions over the space of one year or eighteen months and to be compensated for by the increased fire power of the two USA divisions and the wing of jet aircraft for the ROK airforce. In so far as additional comments to the State Department are concerned, we believe one point on which we might profitably express further views is the matter of reporting to the NNSC. Other Commonwealth representatives did not take firm positions on this question and it is possible that the USA authorities might take a further look at this if we were to urge them to do so.

[N.A.] ROBERTSON

751. PCO

Note du secrétaire d'État par intérim aux Affaires extérieures pour le Cabinet

Memorandum from Acting Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 106-57

Ottawa, May 24, 1957

CONFIDENTIAL

WITHDRAWAL OF COMMONWEALTH FORCES FROM KOREA

At its meeting on March 7, Cabinet approved the recommendation of the Secretary of State for External Affairs that Canada should not object to the withdrawal of United Kingdom troops from Korea and further, that if the United Kingdom altered the size or nature of its contribution to the Commonwealth Forces in Korea, the future of the Canadian contribution to the Commonwealth Forces would have to be reviewed.

Since that decision was taken, the United Kingdom Government has reached a firm decision to withdraw its contingent from Korea. The Canadian authorities were informed recently that the United Kingdom contingent would be withdrawn between mid-July and mid-August. Australian and New Zealand contingents will be withdrawn at the same time. The Commander, Canadian Military Mission, Far East, has recommended that the Canadian contingent be repatriated during July.

United Kingdom authorities have suggested that an integrated Commonwealth liaison staff, accredited to the United Nations Command, should be retained in Korea. There is a good deal of uncertainty still as to what the United Kingdom authorities have in mind. Officials are of the opinion that Canada should not participate formally in an integrated Commonwealth liaison staff, but that the Canadian Military Attaché in Tokyo should be accredited to the Commander-In-Chief, United Nations Command, and that his terms of reference should be altered as required. Mr. Campney has concurred in this view.

Late in April the State Department was informed that since firm decisions had been taken by other Commonwealth Governments to withdraw their forces in Korea, it would seem that the raison d'être of the Canadian Medical Detachment in Korea would disappear and that the Canadian Government would probably consider that the appropriate course would be to withdraw our Medical Unit. (There are approximately 30 Canadian service personnel in Korea, making up a Medical Detachment.) The State Department expressed the hope that, if and when the Canadian unit was withdrawn, the Canadian Government would make some public re-affirmation of its support for United Nations principles in Korea and, more specifically, for the undertakings in the July 1953 Declaration.

Previous statements on the reduction of Canadian forces in Korea have not contained references of this sort, but the fact that the withdrawal of the Medical Detachment will mean the termination of any Canadian military contribution to the United Nations Command suggests that some general statement of support for United Nations objectives in Korea would be appropriate. A specific statement of support for the Warning Declaration of July 1953 would exceed comparable action by the United Kingdom, Australia and New Zealand in their recent statements on the withdrawal of their forces. It would also entail the disadvantage of committing the Canadian Government further to a support of a declaration which was couched in language stronger than most of the allies of the United States desired. It is the view of officials that undue emphasis on this earlier declaration would do nothing to ease tensions in the area.

It is suggested, therefore, that the Minister of National Defence be authorized to include in his statement on the withdrawal of the Medical Detachment a paragraph along the lines set out in the recommendations below.

Recommendations

In view of the foregoing, it is recommended:

(a) That the Secretary of State for External Affairs be authorized to inform the United States authorities, in their capacity as the Unified Command, and the United Kingdom, Australian and New Zealand authorities

(i) that the Canadian Medical Detachment in Korea will be withdrawn in coordination with the withdrawal of the remainder of the Commonwealth contingent in Korea;

(ii) that the Canadian Military Attaché in Tokyo will be accredited as the Canadian Liaison Officer, and that the Canadian representative on the Participating Nations Advisory Group, United Nations Command, Military Armistice Commission in Korea, will be accredited as the Assistant Canadian Liaison Officer to the Commander-In-Chief, United Nations Command, in addition to their present duties.

(b) That the Minister of National Defence be authorized to include in any statement which he makes with respect to the withdrawal of the Canadian Detachment, something along the following lines: "The Minister of National Defence emphasized that, while there will now be no Canadian military unit operating in Korea, Canada remains firm in its support of the maintenance of the armistice. Canada firmly supports, as it always has, the objectives of the United Nations in Korea; the achievement of a unified, independent and democratic Korea, under a representative form of Government. Canada continues to believe that these objectives can best be achieved by peaceful means."[114]

[R. PINARD]

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752. DEA/50396-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1260 Washington, May 29, 1957

TOP SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Our tel 1166 May 17.

Repeat London, Paris, Permis and Brussels, Hague, Tokyo from Ottawa (Information).
By bag Delhi from Ottawa and Berlin, Stockholm, Canberra, Wellington from London.

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[114] Le 24 mai 1957, le Cabinet a approuvé les parties i et ii de la recommandation A. Le Cabinet a également décidé « that no announcement be made about the withdrawal of the Canadian unit but that, should there be inquiries, appropriate remarks be made in response to them. »

On May 24, 1957, Cabinet approved recommendation A, parts i and ii. The Cabinet also decided "that no announcement be made about the withdrawal of the Canadian unit but that, should there be inquiries, appropriate remarks be made in response to them."

KOREAN ARMAMENT REPLACEMENTS

While discussing Korean claims negotiations with Nes of the Korean desk today, he enquired whether any further comments on the USA proposals had been received from you.

2. Nes said that it was the State Department's intention to provide President Eisenhower with an appraisal of the views expressed by other governments concerned together with recommendations as to the extent of modernization of the two USA divisions in Korea required and the timing of a public announcement. He said that the President attached particular importance to maintaining a common front with other governments concerned on matters of this importance. Nes gave us to understand that it was the President's idea that other governments should be consulted to the extent that they have been in connection with the plans for modernizing the USA forces in Korea.

3. Nes went on to say that the State Department did not regard the informal comments made by Commonwealth Ambassadors at the two meetings of April 23 and May 16, and by the French, Turks and Thais at subsequent meetings as sufficiently considered views for purposes of reporting to the President. Further comments have been received from the UK, NZ, Turkey and Australia: the State Department hopes to hear further from us. In view of the political crisis in France it is not necessarily expected that further comments will be available from the French.

4. Nes said that the State Department were still hoping to present their appraisal to the President during the first week of June with a view to making their statement in the MAC in the last week in June.

5. In view of the foregoing, it would be helpful if you could let us know whether you expect to be sending further comments on the USA draft proposal set forth in our telegram 1167 May 17.†

6. Nes' remarks about the interest which the President has taken in this matter and the importance he attached to the consultation with other governments concerned on important issues relating to Korea is the only indication we have so far (and it is in no sense specific) which suggests that there is some degree of likelihood that the USA would consult its allies amongst the sixteen before deciding to employ atomic weapons. (Reference your telegram Y215 May 13).

[N.A.] ROBERTSON

753.

DEA/50396-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1275

Washington, May 31, 1957

TOP SECRET. EMERGENCY.

Reference: Our Tel 1260 May 29.

KOREAN ARMAMENT REPLACEMENTS

For Léger from Robertson, Begins: I went on Wednesday to a briefing session at the Pentagon, on Communist breaches of the Korean Armistice. The meeting had, I believe, been arranged at the instance of Sir Percy Spender, who was accompanied by Sir Philip McBride, the Australian Defence Minister. The other Old Commonwealth countries were represented — Canada by Rae, Sparling and myself. The object of the exercise was to assess how strong a public case, based on overt sources of info, could be made, say in the UN Assembly, if the UN command were challenged on their replacement of obsolescent and rundown equipment by contemporary weapons.

2. I was fully satisfied from the USA presentation that the North Korean and/or the "Chinese peoples volunteers" had begun to welsh on their armistice undertaking not to import new and additional equipment practically from the day the Agreement came into force.

3. However, what I find worrying is the conjuncture in time of this new move in Korea with the President's determination to seek at least a preliminary disarmament agreement with the USSR.

4. You will recall Admiral Radford's recent public statement, when asked about the prospects of a disarmament agreement that, "you could not rely on any undertaking given by any Communist Government".[115] The President, in the press conference he gave after the National Security Council's consideration of Stassen's report, in effect, disavowed Radford and confirmed his determination to seek a disarmament agreement with the USSR.[116] Since then his freedom of manoeuvre had already been to some extent limited by the commitment which appears to have been given Adenauer about aerial inspection zones in Europe. If the next step is to be a public indictment of Chinese and Korean breaches of the Armistice Agreement, not only will the diplomatic climate in which negotiations with the Russians are proceeding be worsened but, more seriously, the chances of USA public and congressional opinion accepting any agreement that might be negotiated are bound to be very gravely prejudiced.

5. For these reasons I am now inclined to think that our very tentative inquiry whether the renegotiation of the Armistice Agreement might be examined as a preferable alternative to a policy of knock for knock should be seriously considered and perhaps pressed pretty hard at a higher level here than that in which the Korean discussions have been taking place.

6. At the Pentagon conference I was struck by the American briefing officer's insistence that the first major error that their negotiating team had made was to accept an Armistice Agreement which did not provide for reciprocal aerial inspection. I had the impression that they did not think that the flagrant breaches of the agreement which appear to have been going on for some years could have taken place if the parties to the armistice or the Neutral Nations Supervisory Team had the right of effective aerial inspection. Now that the idea of aerial inspection is very much in the public mind and I suspect high in Stassen's priority list for any preliminary agreement with the USSR, I have been wondering whether a serious effort to get such a provision incorporated in a renegotiation of the Korean Armistice

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[115] Voir/See *New York Times*, May 20, 1957.

[116] Pour le rapport de Stassen, voir United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume XX, Washington, D.C.: United States Government Printing Office, 1990, les documents 195 et 200, pp. 504 à 510 et 529 à 532.

For Stassen's report, see United States, Department of State, *Foreign Relations of the United States (FRUS), 1955-1957*, Volume XX, Washington, D.C.: United States Government Printing Office, 1990, Documents 195 and 200, pp. 504-510 and 529-532.

Agreement would not be politically and diplomatically better than the tactics on which the USA has very nearly reached agreement with other members of the Committee of 16.[117]

7. So far as we know, the question of how best to proceed in Korea has not been related in people's minds to the question of whether we should now be trying to get a disarmament agreement with the USSR but it is interesting that the people who have been handling the Korean consultation come from the camp which does not believe that any agreement with any Communists is feasible or desirable.

[N.A.] ROBERTSON

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754. DEA/50396-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM Y-248 Ottawa, June 5, 1957

TOP SECRET. CANADIAN EYES ONLY. IMMEDIATE.

Reference: Your telegrams 1166 and 1167† of May 17, and 1260 of May 29.
Repeat London, Paris, Permis, Tokyo (Information. Routine).
By bag Stockholm, Prague, Wellington, Canberra, Brussels, The Hague, New Delhi, Hanoi, Vientiane, Phnom Penh, Saigon, Berne, Warsaw.

KOREA: ARMAMENT REPLACEMENTS

It would appear to us that the likelihood of our being able to influence substantially the main outline of U.S. policy is small and although Nes indicated that further comments would be welcome we interpreted Robertson's remarks as meaning that any further "radical" changes would be initiated only by the USA (paragraphs 14 and 13 of your telegram 1166). Consequently, our comments and suggestions for the most part concern peripheral aspects of the U.S. proposal but there may be some advantage in making our views known to the State Department at the present time as suggested in your telegram 1260.

2. We would urge that throughout the proposed statement, the main emphasis should be placed on the armistice in the sense of an absence of hostilities rather than on the Agreement itself, since the main control provisions of the Agreement have been considerably modified and will be even more modified if the USA proceeds as planned. At the time of the NNSC expulsion last year, the UNC's intention to observe the other provisions of the Agreement was reaffirmed. Obviously there are drawbacks to making this reaffirmation in conjunction with statements of intention to vary some specific provision of the Armistice Agreement on several occasions, especially when the process of withering away of the Agreement's control provisions has made considerable progress already. We therefore believe that it might be wiser to rephrase final subsection 3, paragraph 1, of your 1167 to read "the UNC intends to maintain the armistice by all means within its power, as it has done previously and, for its part, regards the cease fire as inviolable".

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[117] Note marginale :/Marginal Note:

could not undo the Communist aerial buildup already completed since Armistice signed in '53 A.R. M[enzies]

3. Following this same line of argument we strongly support the New Zealand Ambassador's objections (paragraph 6, your telegram 1166) to the phrase "strike at the very heart of the Agreement" since the heart of the Agreement is surely the cease fire itself. Instead it might be pointed out that the KPA/CPV violations in engaging in a secret arms build-up have endangered peace in the area, which the UNC is anxious to preserve. We were also interested in the Australian Ambassador's observations on the purpose of the agreement (paragraph 7, your telegram 1166). We think that if the original text is to be varied it might be preferable to combine both ideas in some such statement as "the Armistice Agreement was designed to freeze the military status quo on the principle of maintaining the relative military balance existing at the time the Agreement was signed. However, since this design has been disturbed, the UNC must return to the basic principle on which the Armistice Agreement was based in the interests of maintaining the spirit of the Agreement".

4. On reporting to the NNSC, we think that such action should be undertaken but agree that it would have to be in general terms, and to this we would have no objections. There would be some propaganda advantage in the UNC being able to claim that whereas the KPA/CPV side had modernized its equipment furtively, the UNC was at least not being underhanded in taking action into which it had been provoked by earlier KPA/CPV violations. Furthermore, if the U.S. authorities are looking to a dissolution of the NNSC, we would surmise that such a development is as likely with general reports as it is with no reports at all, judging from the intimation of Swiss intentions contained in Berne's letter No. 256 of May 15.† Moreover, Swiss withdrawal in these circumstances could be expected to be less embarrassing to the UNC.

5. On the problem of timing we believe that if the operation is to be carried out this year it should be done as swiftly as possible in order to be completed well before the General Assembly meets in the autumn so that if any discussion does ensue it will be of a *fait accompli* which has already been adequately discussed in public and not of a project then in progress or coming up freshly for debate. We think however that there would be some advantage in saying that it is open to question whether this is a wise time to undertake this exercise because of the effect it may have on the disarmament negotiations in London. The indictment of Communist behaviour in relation to the Korean Armistice Agreement may make it more difficult for U.S. public opinion to give serious consideration to some first step in disarmament and the evident intention of the U.S. to set the Armistice Agreement aside in the interest of modernization of armaments in Korea would normally make the Soviet Union more hesitant to enter into a disarmament agreement with the U.S.

6. We hope these comments will be of some assistance to you in discussions with the State Department. At the same time we would find helpful any indications of U.S. thinking on the problems of civilian control of nuclear weapons as discussed in paragraph 7 of our telegram Y-215 of May 10 which you may be able to add to paragraph 6 of your telegram 1260. We would also be interested in receiving information regarding the further comments mentioned in paragraph 3 of your telegram 1260 which the U.K., New Zealand, Turkey and Australia have put forward.

755. DEA/50396-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 1329

Washington, June 7, 1957

SECRET. IMMEDIATE.

Reference: Your tel Y248 Jun 5.

Repeat London, Paris, Permis and Brussels, Hague, Tokyo from Ottawa (Information). By bag Delhi, Hanoi, Vientiane, Phnom Penh, Saigon from Ottawa and Berlin, Stockholm, Warsaw, Prague, Canberra, Wellington from London.

KOREA — ARMAMENT REPLACEMENTS

This afternoon we left with Nes (Korean Desk Officer) an informal memo recapitulating the points we made at the May 16 meeting and containing further comments based on paragraphs two to four of your telegram under reference.

2. With reference to paragraph 2 of your telegram Nes said he was not prepared to comment on our suggestion. We received the impression, however, that the Australian suggestion for the wording of the final subsection 3 of paragraph 1 of the draft outline plan (along the lines indicated in paragraph 7 of our telegram 1166) had been agreeable to the State Department.

3. With reference to your paragraph 3 Nes indicated that the phrase "strike at the very heart of the agreement" had already been revised out of the draft outline plan. The second point in your paragraph 3 has also been largely met by a revision of the sentence concerned which now reads "a cardinal purpose of these provisions was to ensure the freezing of the military status quo by maintaining the relative military balance existing on July 27/53."

4. With respect to your paragraph 4, Nes said that the State Department had in mind two disadvantages with respect to the rendering of the reports to the NNSC. It was thought these reports would embarrass the Swiss and the Swedes and it was felt that these reports would enable the Communists to file a long series of charges of violations which could be exploited for propaganda purposes. Nes indicated that the State Department was interested in the New Zealand proposal (reference our telegram 1305, June 5†) for the making of one or two general reports to the MAC during the period of reequipment.

5. Nes expressed appreciation for our suggestions and said that they would be given careful consideration.

6. With respect to the future timetable, Nes said that the question of reequipment of the two USA divisions in Korea with dual purpose weapons, was on the agenda of the National Security Council Meeting for June 13. If the decision was favourable the State Department would complete the drafting of the statement to the MAC and would probably meet first once again with the Old Commonwealth Governments to go over these final revisions. This meeting with Commonwealth Governments would probably be held within a week after the National Security Council meeting. Subsequently, there would be a meeting of the full sixteen which would be largely on an info basis.

7. We are reporting separately on our discussions of the relationship of the Korean reequipment programme with the disarmament talks.[118]

4e PARTIE/PART 4

JAPON
JAPAN

SECTION A

VISITE DU MINISTRE DU COMMERCE
VISIT OF MINISTER OF TRADE AND COMMERCE

756. DEA/11563-13-40

L'ambassadeur au Japon
au sous-secrétaire d'État aux Affaires extérieures

Ambassador in Japan
to Under-Secretary of State for External Affairs

LETTER NO. 798 Tokyo, November 8, 1956

CONFIDENTIAL

VISIT OF THE RIGHT HONOURABLE C.D. HOWE TO JAPAN

Mr. Mitchell W. Sharp and I accompanied Mr. Howe when he called upon Mr. Kono, Minister of Agriculture and Forestry and Fisheries, on Friday morning, November 7, 1956.

2. I attach herewith my memorandum of what transpired at this meeting, together with two copies thereof. The memorandum speaks for itself.

3. After the discussion on wheat and barley covered by the first memorandum enclosed herewith, a discussion took place with respect to iron ore and I enclose my memorandum on this discussion with two copies herewith. This memorandum is also self explanatory.

3. Copies of the memorandum have gone forward from the Commercial Counsellor's office direct to Mr. Howe.

T.C. DAVIS

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[118] Le projet de déclaration de la CMA a été approuvé par le Conseil national de sécurité le 13 juin 1957, présenté aux anciens pays du Commonwealth le 17, et remis à la Commission militaire d'armistice en Corée le 21. Voir *FRUS, 1955-1957*, Volume XXIII, les documents 221 et 222, pp. 443 à 457.

The draft MAC statement was approved by the National Security Council on June 13, presented to the Old Commonwealth countries on June 17, and delivered in the Military Armistice Commission on June 21, 1957. See *FRUS, 1955-1957*, Volume XXIII, Documents 221-222, pp. 443-457.

[PIÈCE JOINTE 1/ENCLOSURE 1]

Note d'une réunion entre le ministre du Commerce et le ministre de l'Agriculture, de la Foresterie et des Pêcheries du Japon

Memorandum of Meeting between Minister of Trade and Commerce and Minister of Agriculture, Forestry and Fisheries of Japan

STRICTLY CONFIDENTIAL

Tokyo, November 7, 1956

Mr. Howe was accompanied by Mr. M.W. Sharp and myself — Mr. Kono was accompanied by Vice-Minister Kiyoi, Food Agency Administrative Chief Mr. Ogura, Mr. Saito, Chief of the Secretariat of the Agriculture and Forestry Department and Mr. H. Takeuchi, First Section, European and American Affairs Division, Ministry of Foreign Affairs.

Mr. Kono indicated that since his return he has had discussions with the Cabinet and with the Foreign Ministry and Ministry of International Trade and Industry, concerning the purchase of Canadian grain. He suggested a three-year secret agreement with respect to the purchase of Canadian grain. As this suggestion was discussed, it was understood that there could be no definitions of quantities as between wheat and barley and that would have to be determined as the occasion arose.

The price was to be the current price for Canadian grain at time of shipment. It was suggested that for the next three years, Japan would agree to buy 850 thousand tons each year as a minimum.

Mr. Howe suggested that he was thinking in terms of one million tons. Mr. Kono said that this was the figure they had in mind but from the standpoint of safety so far as they were concerned, he was making the suggestion of 850,000 tons as a minimum.

When Mr. Kono made his proposal, Mr. Howe said that it was contrary to Canadian policy to offer any price concessions to Japan in return for a long-term contract and that Canada always sold at the same price to all customers. He pointed out that both the United Kingdom and Germany were larger customers than Japan. Mr. Kono said in reply that he was not thinking in terms of any special prices, that he was quite content that Japan should pay the going international price for Canadian wheat.

Mr. Howe suggested that it would make it much more easy to meet the requirement of Japan if Canada knew the programme six months in advance, in order that the supplies could be in position in Vancouver for shipment.

Mr. Howe also suggested that if they cared to make a purchase for the next six months now, the price would be the current price at the time of purchase. Mr. Kono stated that he would discuss this proposal with his colleagues.

Mr. Kono said he put forward this suggestion of a long-term understanding in the interest of stabilizing trade between Canada and Japan and Mr. Howe assured him that such a contract would be most beneficial in the attainment of that objective.

Note: It was understood that the negotiations to carry this agreement into effect, would be conducted between the Foreign Office and the Canadian Embassy.[119]

T.C. DAVIS
Ambassador

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[119] La correspondance sur ces négociations, qui ont rapidement tourné court, peut être consultée dans le dossier MAE 10389-40.
Correspondence on these negotiations, which fizzled out quickly, can be found on DEA 10389-40.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Note de l'ambassadeur au Japon

Memorandum by Ambassador in Japan

STRICTLY CONFIDENTIAL Tokyo, November 7, 1956

Following the discussion covering wheat and barley summarized in the attached memo, Mr. Kono raised the question of the purchase of iron ore from British Columbia for the use of Japanese steel mills. Mr. Howe suggested that it might be possible to organize a company to produce pig iron in British Columbia, and that the Japanese steel industry might be interested in contributing towards the financing of such an operation, and that the operation should be sufficiently large to take care not only of Japanese requirements but also of the requirements of the British Columbia market. Mr. Howe stated further that financing would be greatly facilitated if a twenty-year contract were arranged between Japanese consumers of pig iron and the proposed company. Mr. Kono then mentioned that there was a new company which has recently constructed a steel mill on the Chiba Peninsula (Kawasaki Steel Company), that this company does not produce pig iron but would be a heavy purchaser of it. Mr. Howe indicated that the proposed company would no doubt be very glad to cooperate with the Kawasaki Steel Company and with other steel producers in Japan. Mr. Howe told him that when he returned to Canada he would make appropriate investigations and would advise.

Mr. Kono then discussed the question of increased exports from Japan to Canada. Mr. Howe told him that Canada was capable of absorbing large quantities of imports. However, Japan should concentrate on supplying quality merchandise with the greatest emphasis being placed on steel pipe, machinery and other capital equipment.

T.C. DAVIS

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757. DEA/11563-13-40

L'ambassadeur au Japon
au sous-secrétaire d'État aux Affaires extérieures

Ambassador in Japan
to Under-Secretary of State for External Affairs

LETTER NO. 790 Tokyo, November 9, 1956

RESTRICTED

VISIT TO JAPAN OF THE RIGHT HON. C.D. HOWE

Mr. Howe has come and gone, and I cannot begin to tell you how highly successful his visit was. He is, of course, a friend of the Japanese Ambassador in Ottawa and also of Mr. Kono, the Minister of Agriculture and Forestry here. Mr. Kono is the most powerful political figure in Japan and it is plainly evident that when he heard, through the Japanese Embassy in Ottawa, of Mr. Howe's proposed visit, he issued instructions that everyone was to go all out in making the arrangements. Mr. Kono was in Moscow at the time of Mr. Howe's arrival, but fortunately, he returned to Japan several days before his departure.

2. The responsibility for the itinerary for the visit was left in the more than capable hands of Mr. J.L. Mutter, Commercial Counsellor in this Embassy. He worked with a committee of Foreign Officials and, I think, a representative of the Ministry of International Trade and

Industry. At all events, a complete itinerary was worked out prior to the arrival of Mr. Howe and Mr. Mitchell W. Sharp, his Deputy. The efficiency of the organization was evidenced by the ease with which the itinerary was carried out. The whole tour was conducted with clocklike precision and there was not one hitch nor one unfortunate incident from beginning to end. I know that Mr. Howe was thoroughly pleased with everything and will undoubtedly have expressed his pleasure upon his return to Ottawa.

3. I am most enthusiastic about the wonderful impression he created everywhere. Fortunately he never gets the slightest bit flustered, nor did he ever exhibit the slightest degree of exhaustion, notwithstanding the hectic nature of the trip. He had engagements every day from morning till late at night and he took them all in his stride; at the end of each day he was perhaps less tired than any of the rest of us.

4. He was impressed, as I was, with the friendliness exhibited towards himself and Mr. Sharp and towards Canada and Canadians generally. I had never realized before the deep feeling of gratitude which this country has for Canada and this was so well exhibited on all sides right from governmental leaders down. Canada's attitude in connection with the negotiation of the trade treaty, the entry of Japan into GATT, our attempts to get Japan into the United Nations, and other gestures of Canadian friendship have made a deep and lasting impression in this country, and one could sense this at every turn.

5. Japan realizes its position in the world, and realizes that it must, for its own future and the welfare of its people, be closely associated with the western world or, in other words, the world of freedom. It realizes, too, that it owes an eternal debt of gratitude to the United States and the American people for doing so much to put this nation back on its feet again. The American attitude as an occupying power was something which these people never expected or hoped for, and was unbelievably lenient. The Japanese realize as well that the American market is an invaluable one to them and that there must be continued close association with the United States.

6. I have a feeling that the Japanese appreciate Canada's particular position in relation to both the United Kingdom and the United States, and that Canada can well be a mediator or link between Japan and these two nations. The fact that Canada has secured for herself the position of being one of the most influential members in the United Nations, and is looked upon with particular favor by the Asiatic nations, has not been overlooked by this country. Japan feels that Canada is a good nation to keep close to, as her influence with the nations of the world is capable of being of great help to this country in its association with all others. It is well that this condition exists as we have a deep interest in the Japanese market and, both being Pacific powers, the future of each is to a degree linked with the welfare and progress of the other.

7. Coming back to the tour itself, I am sure that Mr. Howe will be reporting to the Canadian people with respect to his impressions.[120] He left Japan with the certain knowledge that this country is a great modern industrial power with a population so large that manpower is readily available at extremely low wages. His trip confirmed these facts. He was deeply impressed with the agricultural industry and the great productivity of the limited land, which results from a hard-working farm population conducting its operations on a garden basis. Finally, he found general recognition by Japanese industrialists of the fact

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[120] Pour un bref rapport sur la visite de M. Howe au Japon, voir Canada, Chambre des Communes, *Débats*, 1957, volume I, p. 338.
For a brief report on Howe's trip to Japan, see Canada, House of Commons, *Debates*, 1957, Volume I, p. 324.

that if they want to trade in this world, they must produce high quality goods and not flood the markets of the world with any of their products.

8. I think that perhaps the highlight of the visit was the invitation extended by the Prime Minister, Mr. Hateyama, to dinner at the Fujiya Hotal at Miyaneshita. Mr. Hateyama, Mr. Kono, the Minister of Agriculture and Forestry, Ambassador Matsumoto, and Deputy Special Cabinet Secretary, Mr. F. Matsumoto, returned to Japan from Moscow on November 1st. The Prime Minister is, as you know, an invalid, and he went immediately to Miyanoshita for a week's rest prior to the opening of the forthcoming special session of the Diet on December 10. We were at nearby Kawana Hotel and the itinerary provided for our return to Tokyo therefrom on Monday morning, November 5. A telephone call from the Prime Minister's secretary asked if we could alter the itinerary and have dinner with Mr. Hateyama and his wife on Sunday evening, the 4th. Mr. Howe gladly accepted the invitation; the plans were changed and we arrived at the Fujiya Hotel approximately an hour before the dinner. We found that the other dinner guests were Mr. Kono, the two Matsumotos and Mr. Kishi, the man who I consider will be Mr. Hateyama's successor. We had a most enjoyable dinner and the opportunity of a chat with the Prime Minister and the other guests both before and after the meal. This function is an honour reserved for few, particularly in the light of the fact that all these men were busily engaged not only in preparation for the forthcoming Diet session, but also with the domestic political situation consequent upon the inevitable change of Prime Minister. That Mr. Hateyama and the others could take time out to extend this hospitality was something which I know Mr. Howe deeply appreciated, as did I.

9. On Wednesday morning we all attended at Mr. Kono's office. By separate despatch I will be sending you two memoranda I prepared of what transpired at this meeting.

10. Upon Mr. Howe's arrival, he was extended a very delightful dinner by Mr. Shigomitsu, the Foreign Minister, who at the time was Acting Prime Minister in the absence of Mr. Hateyama. He was also entertained by Mr. Takasaki, who was Acting Minister of Agriculture and Forestry in the absence of Mr. Kono. He was likewise entertained by the Minister of International Trade and Industry, Mr. Ishibashi, and by Mr. Masutani, the Speaker of the House of Representatives, who recently visited Ottawa. He was entertained by others practically every night of his stay. I thought that Mr. Howe would be completely exhausted after this strenuous tour but when he boarded the plane on Wednesday night, he was infinitely more refreshed than when he arrived. His mind had been taken completely away from Canadian affairs and was engaged in absorbing the Japanese scene, which was completely foreign to anything he had ever experienced before. Perhaps the best bit of evidence of his complete relaxation occurred during our week-end visit at Kawana where, on the Sunday morning, Mr. Howe enjoyed 18 holes of golf over one of the two beautiful golf courses to be found there. After lunch we all retired for a nap and, shortly after two o'clock, I was awakened by the bed shaking, windows rattling, furniture moving about and the chandelier swinging. It was, I realized, an earthquake and I wondered if perhaps it had been arranged by Mr. Kono so that Mr. Howe would have every possible experience in this country. In any event, I later asked Mr. Howe what he thought of this experience and, to my amazement, learned he didn't even know that an earthquake had taken place.

11. I am sending a copy hereof to Mr. Pearson, and to the Prime Minister.

T.C. DAVIS

SECTION B

PASSEPORTS POUR LES JAPONAIS-CANADIENS
PASSPORTS FOR JAPANESE-CANADIANS

758. PCO

Note du secrétaire d'État aux Affaires extérieures
et du ministre de la Citoyenneté et de l'Immigration
pour le Cabinet

Memorandum from Secretary of State for External Affairs
and Minister of Citizenship and Immigration
to Cabinet

CABINET DOCUMENT NO. 63-56 Ottawa, February 23, 1956

SECRET

PASSPORT FACILITIES FOR AND RETURN TO CANADA OF CANADIAN CITIZENS OF JAPANESE ORIGIN

In order to prevent the possible occurrence of untoward incidents caused by feelings aroused during the war against Japan, Cabinet directed in the early post-war period that certain precautions should be taken to control the movement and return to Canada of Canadian citizens of Japanese origin.

These directives were modified from time to time as circumstances permitted. Today there are only two such directives remaining:

(a) a Cabinet directive of October 1, 1947 that passports should not, except in special circumstances, be issued or renewed to Canadian citizens of Japanese origin in Japan;

(b) a Cabinet directive of July 31, 1952 that passports for return to Canada could henceforth be issued to Canadian citizens of Japanese origin notwithstanding the fact that they had served in the enemy forces, it being understood that if an examination of his war record proved any such person to be clearly undesirable, every effort would be made to prevent his return to Canada.

In a Memorandum to Cabinet of March 5, 1953, the Minister of Citizenship and Immigration and the Acting Secretary of State for External Affairs recommended that natural-born Canadian citizens of Japanese race who had served in the enemy armed forces be dealt with on a basis similar to that obtaining for Canadian citizens of other races, and to this effect that passports be issued to Canadian citizens of Japanese race notwithstanding the fact that they had served in enemy forces. At its meeting on March 12, 1953, Cabinet deferred its decision on this recommendation.

It does not appear necessary or desirable to maintain any longer the special restrictions on Canadian citizens of Japanese origin mentioned above. No such restrictions are applied to Canadians of other racial or national origin, and the restrictions which existed against Canadians who had served in the German or Italian armed forces were lifted in October, 1949. Since Canadian-Japanese relations have now been restored to normal, it would seem inappropriate to continue in effect restrictions against Canadians of Japanese origin residing in Japan. The arguments for amending the Cabinet directives referred to above are outlined in greater detail in Appendix A, attached.

The undersigned, therefore, recommend

(a) that passports may be issued to Canadian citizens of Japanese origin, notwithstanding the fact that they served in the enemy armed forces, on a basis similar to that obtaining for Canadian citizens of other racial or national origins;

(b) that no distinction should be made with regard to the issuance or renewal of passports between Canadian citizens of Japanese origin and those of other racial or national origins.

J.W. Pickersgill
Minister of
Citizenship and Immigration

L.B. Pearson
Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Appendice A

Appendix A

SECRET

Ottawa, February 23, 1956

PASSPORT FACILITIES FOR AND RETURN TO CANADA OF CANADIAN CITIZENS OF JAPANESE ORIGIN

The special restrictions on Canadian citizens of Japanese origin established by the Cabinet directives of October 1, 1947 and July 31, 1952, appear to be no longer necessary or desirable for the following reasons:

(a) Ten years after Japan's surrender Canadian-Japanese relations have been restored to normal. Canada has concluded a number of agreements with Japan governing matters of mutual interest. Japan has become an important market for Canadian exports particularly cereals.

(b) Evidence of mistreatment obtained through full interrogation of Canadian prisoners-of-war resulted in the prosecution by Canadian Army law officers of a number of Japanese prison guards, etc. There was only one Japanese-Canadian in this lot — Inouye Kanao ("The Kamloops Kid") — who was convicted of high treason in Hong Kong in 1947 and hanged. Most major and minor Japanese war criminals, having served ten years of their sentences, have now been released. Public sentiment on this subject has subsided.

(c) Persons of Japanese origin in Canada have settled widely across the country and are being assimilated in their respective communities so far as may be expected. No untoward incidents have occurred; none need be expected.

(d) The Canadian Ambassador in Japan has pointed out that in restricting the issue of passports to Canadian citizens of Japanese origin in Japan only to persons having made definite reservations for travel to Canada in compliance with the Cabinet directive of October 1, 1947, the Embassy is:

(i) compelled to discriminate against Canadian citizens of Japanese origin compared with persons of other national origin; and

(ii) this works a hardship on those who have renounced their Japanese nationality and have only Canadian citizenship and who may wish to travel to some country other than Canada for business, family, or other reasons.

(e) Canadian citizens who served in the enemy armed forces who are of Japanese origin are treated less generously than those who are of German, Austrian, and Italian origin. At its meeting of October 11, 1949, Cabinet directed that persons who were Canadian citizens by birth and who had served in the enemy armed forces were to be issued with passports, and that persons who were Canadian citizens by naturalization were also to be issued with passports provided their Canadian citizenship status had not been revoked under the provisions of the Canadian Citizenship Act. When issuing the above instructions at that time, however, Cabinet directed that they should not be applied to Canadian citizens of Japanese origin. Hence Japanese-Canadians are still singled out for different treatment from that accorded to persons of European origin.

(f) The directive of July 31, 1952 on Canadians of Japanese origin can be circumvented in practice. Under the provisions of the Immigration Act, Canadian citizens are readmissible to Canada as a matter of right; hence Japanese-Canadians can re-enter Canada without the necessity of applying for passports, by presenting themselves at the border and submitting proof of Canadian citizenship. Canadian law itself, therefore, provides the means to nullify the directive.

(g) Cabinet has already considerably eased immigration regulations as they apply to persons of Japanese origin. On January 22, 1954, Cabinet directed that the position of Japan with respect to immigration should not differ in principle from that of other Asian countries;[121] on [April 20], 1955 Cabinet granted authority for the admission of persons not coming within the admissible classes where strong humanitarian or compassionate grounds for admission existed.[122] Situations could arise where a Japanese citizen could enter Canada more easily as an immigrant than as a returning Canadian.

(h) It is now extremely difficult to obtain the proof required that an individual is clearly undesirable within the meaning of the Cabinet directive. The Canadian Embassy in Tokyo no longer can obtain the complete records of service in the Japanese Armed Forces which were available during the occupation period. It is, therefore, difficult to secure sufficient evidence to warrant the refusal of passport facilities, and this difficulty increases with the passage of time.[123]

5e PARTIE/PART 5

INDONÉSIE
INDONESIA

VISITE DU PRÉSIDENT DE L'INDONÉSIE
VISIT OF PRESIDENT OF INDONESIA

759. DEA/12371-40

Note du secrétaire d'État aux Affaires extérieures pour le premier ministre

Memorandum from Secretary of State for External Affairs to Prime Minister

SECRET Ottawa, March 21, 1956

INVITATION TO THE PRESIDENT OF INDONESIA TO VISIT CANADA

During his recent visit to Djakarta Mr. Dulles invited President Sukarno of Indonesia to visit the United States. The dates suggested were May 16 to 19 in Washington, with perhaps a further week for travel in the United States. We do not yet know officially that President Sukarno has accepted the invitation, but it would appear from press reports that he has.

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[121] Voir/See Volume 20, Documents 819-820.

[122] Voir/See Volume 21, Document 786.

[123] Approuvé par le Cabinet, le 15 mars 1956./Approved by Cabinet on March 15, 1956.

2. You will recall that when you were in Djakarta in March, 1954 you made some casual reference to the possibility of President Sukarno visiting Canada. Later it was agreed that we would not extend a direct invitation unless and until the United States Government invited him to Washington. We therefore asked the United States authorities to inform us in advance of their plans in this regard, and it was as a result of this request that they informed us of the invitation extended recently by Mr. Dulles.

3. You may consider, therefore, that we should now invite him to spend a few days in Canada. Probably two days in Ottawa would be sufficient, although if he wished to spend more time in Canada arrangements might be made for him to pay short visits to other parts of the country. One possibility might be Arvida (Aluminium, Ltd. has bauxite interests in Indonesia); Niagara Falls might be another. As Dr. Sukarno is a Head of State, it would be appropriate for the Governor General to be his host in Ottawa.

4. Such a visit would, of course, repay Indonesia's hospitality to you and we might anticipate more positive advantages as well. There is no doubt that the good feeling engendered by such a visit would facilitate the work of our Ambassador in Indonesia. More important, if President Sukarno gains a favourable impression of North America, it would probably be a good influence on him. As you know, he is an ultra-nationalist, inclined to demagoguery, but with a wide personal influence in Indonesia. Anti-western elements there have been at pains to win his favour. He is no doubt the more susceptible to anti-western arguments because he has never visited a western country, and seems to have only a most imperfect understanding of western political and economic motives. For example, there is some risk at the present time that his personal influence, which is almost decisive in Indonesian politics, will be thrown in the direction of a Popular Front government with communist participation. The State Department is hopeful that if Dr. Sukarno comes to the United States some of his misapprehensions can be corrected. I agree that the possibility of influencing him to look with more favour on the West is an important consideration to be kept in mind, and that if he came to Canada, we should therefore ensure that there would be some time for political discussion and an opportunity for him to visit other parts of the country. In short, we might think in terms of a visit which would be something more than a strictly formal state occasion.

5. Assuming that President Sukarno accepts the United States invitation, do you agree that we might also invite him to visit Canada? From our present information it appears that his tour of the United States will end on May 26 or 27, in which case it could probably be arranged that he would arrive in Ottawa on Monday, May 28. I understand that the Governor General will be in Ottawa on that day and the day following, although he will also have as his guests at Government House Lord Home, Secretary of State for Commonwealth Relations, and Lady Home. Subject to your approval of the invitation, we would, of course, consult the Governor General as soon as he could be reached in the Far North, and if the conflict of visits would be likely to create embarrassment, it might be

possible to make some adjustment of timetables in consultation with the staff at Government House.[124]

L.B. PEARSON

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760. DEA/12371-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], May 21, 1956

QUESTION OF INVITATION FOR THE PRESIDENT OF INDONESIA TO ADDRESS PARLIAMENT

When this subject was first raised Mr. Cross indicated that the Prime Minister did not favour extending an invitation to President Sukarno to address Parliament. This information was conveyed to Mr. Heasman with the explanation that a number of previous proposals (e.g. President of Haiti) had been rejected.

2. Mr. Heasman has requested reconsideration and we thought that you should review the arguments which are outlined in the form of a possible memorandum for the Prime Minister in case you should decide to support reconsideration.

3. I understand you may have spoken again to the Prime Minister recently about this.[125]

R.M. M[ACDONNELL]
for Under-Secretary of State
for External Affairs

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[124] Note marginale :/Marginal Note:

In view of the fact that I accepted the hospitality of the President of Indonesia I feel that we must invite him to come to Canada if he comes to the U.S. I was there only a very short time, but I suppose we will have to fall in with what he wants to do if he does come though it may not be necessary to provide him with any transportation outside of Canada. L.S. St. L[aurent]

[125] Notes marginales :/Marginal Notes:

Mr. McDonnell[sic]: I have had a talk with the PM and Mr. Bryce about this. Would you see the latter? L.B. P[earson]

Done. We shall try to arrange a meeting with members of both houses (not a formal session) in one or another of the Chambers. Protocol is consulting PM's office. R.M. M[acdonnell] 22/5/56

[PIÈCE JOINTE/ENCLOSURE]

Projet de note du secrétaire d'État aux Affaires extérieures pour le premier ministre

Draft Memorandum from Secretary of State for External Affairs to Prime Minister

CONFIDENTIAL Ottawa, May 21, 1956

QUESTION OF INVITATION FOR THE PRESIDENT OF INDONESIA TO ADDRESS PARLIAMENT

The Canadian Ambassador in Indonesia has urged reconsideration of the discouraging reply we gave to the Indonesian request that President Sukarno be invited to address Parliament.

2. I fully realize that these special occasions are occurring too frequently and that every effort must be made to restrict them to the minimum. I think, however, that we should have another look at this particular case in the light of the good such an invitation would do our relations with Indonesia and the difficulty of conveying a convincing negative reply. Mr. Heasman has said that any explanation (such as restriction to Commonwealth and NATO) we offered for failing to invite Mr. Sukarno, who has indicated a desire to address Parliament, would not be understood by the President or by the Indonesians.

3. The principal arguments supporting an invitation would seem to be these:

(a) An invitation would be regarded as the highest honour Canada could pay the President of an important Asian nation, which has the fifth largest population in the world.

(b) He has been invited to address the U.S. Congress.

(c) In preparing a speech for Parliament, President Sukarno would probably make a special effort to put himself in the place of his Canadian listeners. This might have a salutary effect on an Asian revolutionary leader who has been given to thinking and speaking in rather narrow and at times shortsighted nationalistic terms.

(d) It might be of interest to Members of Parliament to hear the President of Indonesia speak since he represents a new independent Asian state to which we are giving assistance through the Colombo Plan and United Nations agencies.

4. The President's visit to the Houses of Parliament is now scheduled to take place on the afternoon of Tuesday, June 5. If an invitation to deliver an address were to be extended, it should presumably be for 2:30 that afternoon.

5. I realize that this presents another of these difficult cases. I thought, however, that I should review for you the considerations specifically relating to Indonesia. May I have your views, please.

L.B. P[EARSON]

761. DEA/12371-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], June 4, 1956

YOUR DISCUSSIONS WITH THE INDONESIAN FOREIGN MINISTER — TALKING POINTS

To leave a favourable impression rather than to put across Canadian views is, I think, our chief objective in connection with the Indonesian state visit. As there will be no fixed private meeting between Mr. St. Laurent and Dr. Sukarno, your meeting with the Foreign Minister will be the only opportunity, other than social occasions, for an exchange of views.

2. If given an opportunity Mr. Abdulgani might be willing to give a short general review of the outlook of the new Indonesian Government. He did this in Washington at his meeting with Mr. Dulles, during which he particularly stressed Indonesia's desire to improve her relations with Japan and The Netherlands.

Dutch-Indonesian Relations

3. The most useful influence we could exert on Mr. Abdulgani would, I am sure, be to urge an improvement in Netherlands-Indonesian relations. These are at their lowest point in years, owing principally to an almost complete breakdown of normal diplomatic contact between The Hague and Djakarta. Indonesia recently annulled unilaterally the Round-Table Conference Agreements[126] and related agreements, thereby sweeping away the whole basis on which relations between the two countries had previously rested. Nothing has yet been worked out to take the place of these agreements. One result has been that the Netherlands High Commission in Djakarta is not now recognized by the Indonesian Government pending the negotiation of a new form of diplomatic relations, presumably an exchange of Embassies.

4. The triangular nature of Canada's relations with Indonesia and The Netherlands has become very evident in the last few months. There have, for example, been three recent Dutch requests for diplomatic support against the Indonesians: (a) during the Jungschlager trial; (b) with regard to the impending trials of three additional Dutchmen; and (c) with regard to the non-payment of interest on a bond issue for which the Djakarta Government assumed responsibility at the time of the Transfer of Sovereignty. We have responded only to (b). All of them, however, were somewhat embarrassing in that they involved us directly in what are plainly bilateral matters.

5. The point might be made to Mr. Abdulgani that while it was only to be expected that Dutch-Indonesian hostility would persist for some time after the Transfer of Sovereignty,

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[126] La négociation des Accords de la table ronde entre l'Indonésie et les Pays-Bas est couverte dans le volume 14, chapitre III, 2ᵉ partie, section B, subdivision IV, et volume 15, chapitre III, 2ᵉ partie, section E, subdivision III.

The negotiation of the Round Table Agreements between Indonesia and the Netherlands is covered in Volume 14, Chapter III, Part 2, Section B, sub-section IV, and Volume 15, Chapter III, Part 2, Section E, sub-section III.

we regret that two nations which we count among our close friends have not been able to patch up their difficulties after five years. We know the Dutch very well and would concede that their approach is sometimes unduly legalistic. However, we would be confident that, given a reasonable opportunity to protect their essential economic interests in Indonesia, the Dutch would be willing to forget past differences. It would be our hope that the new Indonesian Government will approach the problem of its relations with the Netherlands with this in mind and in a spirit of moderation.

Imprisoned Dutch Nationals in Indonesia[127]

6. You have indicated that, if a suitable opportunity arises, you might mention this question to the Foreign Minister. Our position is that the trials are a domestic Indonesian affair and that the legality or otherwise of the charges brought against the prisoners is none of our concern. However, as Mr. Dulles put it in Washington, "a magnanimous attitude (on the part of the Indonesians) would be an act of considerable statesmanship". This is probably the best line to take. You will recall that our instructions to Mr. Heasman in Djakarta asked him to emphasize the damage which is done to East-West relations generally by the excessive publicity which these trials have received.

West New Guinea

7. It is probably inevitable that Mr. Abdulgani will mention this question, possibly to request our support. There is, I think, little that can usefully be said about it, except perhaps to deplore the existence of the dispute and to restate our traditional view that it is primarily legal in nature and therefore a matter more appropriate for the International Court of Justice than for the General Assembly. We are aware that a solution will be difficult to find but we would frankly question the utility of keeping the matter before the United Nations. While we believe that the General Assembly probably has a right to discuss the matter, the inevitable result of such discussion is that firm lines tend to get drawn and attitudes to harden. We were therefore quite pleased that at the last Assembly the Indonesians were able to accept a mild resolution which simply noted that bilateral negotiations between the Netherlands and Indonesia were about to commence, and, without mentioning New Guinea, expressed the hope that these negotiations would be fruitful. This resolution was passed without discussion, objection or vote. In the event, the negotiations broke down, although not specifically because of the New Guinea dispute. You may wish to ask Mr. Abdulgani whether he considers that it will be possible (as we hope) for the two parties directly concerned to make further progress without the United Nations again becoming involved.

8. As you will have seen from a recent telegram, the Australian Ministry of External Affairs have expressed to our High Commissioner some concern regarding President Sukarno's statements on West New Guinea while he was in the United States. They hope that he will not be given any encouragement on this particular question while in Canada.

SEATO, Neutralism, etc.

9. A suitable expression of our attitude towards the neutralist Asian bloc, of which Indonesia is a leading member, would possibly go down well with Mr. Abdulgani. While we are associated in various ways with other countries which are members of SEATO, we

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[127] À la fin de 1953, 35 nationaux hollandais étaient arrêtés, torturés et jugés pour avoir essayé de renverser le gouvernement indonésien. Les négociations menées au début de 1956 pour obtenir leur libération ont échoué.
In late 1953, 35 Dutch nationals were arrested, tortured and put on trial for attempting to overthrow the Indonesian government. Efforts to secure their release through negotiations failed early in 1956.

have no immediate strategic commitments in Southeast Asia. Moreover, we recognize that strong views on the undesirability of military pacts can legitimately be held, and we would want Indonesians to know that we respect and seek to understand their independent foreign policy. Perhaps the best illustration of Canada's approach to neutralism and independence is the closeness of our bonds with India. The fact that India also dislikes SEATO has not prevented the closest co-operation with her within the Commonwealth, under the Colombo Plan, and in numerous other ways. The thought might be left with Mr. Abdulgani that we see no obstacles to the similar development of Canadian-Indonesian relations.

10. Perhaps you might also mention that we consider our role in Indochina as a contribution to the stability of the Southeast Asian area.

Colombo Plan

11. You might wish to mention our satisfaction with the arrangements made last year to bring ten Indonesian students to Canada for training in engineering at the undergraduate level. One of these students led his class at Nova Scotia Technical College. Most of the others are also doing very well. The Indonesians have accepted our offer to take fifteen more undergraduate students in the engineering field this year. The team which we sent to Indonesia to investigate the possibility of our assisting in staffing and equipping technical training institutions out there has now returned and its report is being considered. As you will remember, Dr. Monture and Dr. Cameron were the members of this team. Another Technical Assistance project which Dr. Ault of the Civil Service Commission has been exploring with the U.N. Technical Assistance authorities is a possible arrangement for providing training in public administration in Indonesia. The only capital project which we have under active consideration at present is a proposal for an aerial survey of Indonesia's resources. We have received and discussed the report of the Canadian expert who looked into this project and we are hopeful that after further discussions with the Indonesians (having to do with the uses to which the results of the survey would be put and certain technical details affecting the carrying out of the survey) we shall be able to recommend this project to Cabinet. It might cost anywhere between $1 million and $2 1/2 million spread over two year or so.

12. Some biographical notes on Mr. Abdulgani appear on page 2 of the attached paper.† Washington's telegram† on the political discussions there is also attached in case you would like to review it.

J.W. H[OLMES]
for Under-Secretary of State
for External Affairs

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762. DEA/12371-40

Note

Memorandum

RESTRICTED [Ottawa], June 6, 1956

INTERVIEW BETWEEN MR. PEARSON AND THE INDONESIAN FOREIGN MINISTER, MR. ABDULGANI

The Indonesian Foreign Minister, accompanied by Mr. Sastroamidjojo, the Indonesian Ambassador, called on Mr. Pearson in his office in the House of Commons at 3:15 p.m. on June 5. Mr. Menzies was also present.

2. Mr. Abdulgani said that following the first general elections, and the creation of a coalition Cabinet representing a substantial majority of the members of Parliament, it was hoped that there would be a stable government in Indonesia for several years. He thought that this stability would be helpful in enabling Indonesia to get on with the programme of national development. In order to keep the Communist party, which was in Parliamentary opposition, from making headway it was necessary to offer the people a programme of economic and social development. Mr. Abdulgani said that assistance from abroad could be helpful in this respect and he referred particularly to the Colombo Plan.

3. Mr. Pearson said that we were glad to have been able to give some modest assistance to Indonesia through the Colombo Plan and that we were looking into ways of making some further contributions. He mentioned that Canada had had a successful experience in carrying on aerial surveys in Pakistan and Ceylon and that we were now looking into the possibility of giving similar assistance to Indonesia. He also spoke of the fact that we have about 15 Indonesian students studying in Canada today. One of these had led his class at Nova Scotia Technical Institute. Mr. Pearson said that he hoped we would be able to substantially increase the number of Indonesian students in Canada next year.

4. Mr. Abdulgani said that the possibility of more Indonesian students coming to Canada appealed to him. They had a very large number of students attending universities in the Netherlands. They wished to re-distribute their overseas student population and it was increasingly desirable to send students to English-speaking countries. A number of the Indonesian students had mentioned that Canada was a quieter country than the United States and he thought that this would be conducive to better scholastic application.

5. Mr. Abdulgani said that Indonesia had two major problems in her foreign relations: one with Japan and the other with the Netherlands. He thought it might take a number of years to settle their relations with these two countries as there was a legacy of a good deal of bitterness in Indonesia. He hoped, however, that the new and more stable Indonesian Government could make a good start in tackling these two problems.

6. With regard to Japan, Mr. Abdulgani noted that the conclusion of reparations settlements between Japan and Burma and Japan and The Philippines would enable an early start to be made on their own negotiations with Japan.

7. In regard to the Netherlands, Mr. Abdulgani referred to the fact that the new Parliament had recently ratified bills relating to the dissolution of the Netherlands-Indonesian Union and the various Round Table Agreements. He said that he had asked the Parliament to give him some latitude for negotiating a new relationship with the Netherlands. He said that Indonesia could not afford the foreign exchange to continue to give Netherlands interests special privileges in the matter of repatriation of profits and capital. They would have to accept a position similar to that of other foreign interests in Indonesia. He also referred to the difficulty they were having in paying pensions to former officials of the Netherlands-Indies administration. Mr. Abdulgani said that he had initiated some informal conversations with the Netherlands Government but did not volunteer further information as to the direction these talks might be expected to take.

8. Mr. Abdulgani also referred to the problem of West New Guinea and said that he was considering whether or not to place this subject on the agenda of the next session of the General Assembly. He said that the continuation of Netherlands control of West New Guinea aroused strong feelings in Indonesia. There had been one representative from West New Guinea in the old Parliament and he thought there would be three in the new Parliament. There was a bill before Parliament to create a province out of West New Guinea. He

said that the presence of Netherlands forces in West New Guinea also created a security problem for Indonesia.

9. Mr. Pearson asked whether the Indonesians would be satisfied if the Dutch were to withdraw from West New Guinea without that territory actually becoming a part of Indonesia. Mr. Abdulgani said that West New Guinea had been historically under the control of the Sultan of Ternate in the East Moluccas. Furthermore, West New Guinea had been historically a part of the Netherlands-Indies. He thought it was essential therefore that it be reunited with Indonesia. Mr. Pearson asked whether the Indonesians would be concerned about the future of East New Guinea. Mr. Abdulgani said that Indonesian influences had never extended to East New Guinea and that the future of that territory was not their concern but that of Australia.

10. Mr. Pearson then asked about British North Borneo, Brunei and Sarawak. Mr. Abdulgani said that these territories had not been historically part of the various Indonesian Empires. They had always been under the influence of northern maritime Empires based in Indochina. Indonesia had no ambitions to absorb these territories. Mr. Abdulgani said that some Filipinos had speculated about the possibility of eventually creating a Greater Malayan Federation. These Filipinos said that the Philippines was the first Malayan Republic; Indonesia the second; Malaya would be the third and eventually all of these might be federated to form a Greater Malayan Federation with a population of 125,000,000. Mr. Abdulgani commented that this was a project for future generations. Their own eyes were focused only on the emancipation of all Indonesian territory and the consolidation of their state.

11. Mr. Abdulgani extended an invitation to Mr. and Mrs. Pearson to visit Indonesia if Mr. Pearson should attend the next meeting of the Colombo Plan in New Zealand this autumn. Mr. Pearson said that he could not now be sure that he would be able to attend the next meeting of the Colombo Plan as he might be caught up in the work of the United Nations and the NATO Committee of Three. He would, however, look forward to paying a good visit to Indonesia one day.

12. Mr. Pearson said that the Department of External Affairs would be arranging to send a gift of 100 books on Canada to the Indonesian National University.

13. The interview ended with mutual expressions of goodwill and understanding. It was evident throughout that the Indonesian Foreign Minister felt at ease and free to express his views quite frankly.

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763. DEA/12371-40

Le chef de la Direction de l'Extrême-Orient
à l'ambassadeur en Indonésie

Head, Far Eastern Division,
to Ambassador in Indonesia

PERSONAL AND CONFIDENTIAL Ottawa, June 15, 1956

Dear George [Heasman],

We had hoped to have prepared for the bag leaving today a rather complete "round-up" on President Sukarno's visit, but unfortunately it is not yet ready. In what little time remains, however, I shall put down some of my own impressions — for the most part undigested impressions, I am afraid — for your preliminary information.

I am quite sure now that the visit will have to be rated a success by any standard. As we mentioned in our telegram of June 7,† interest among the public and press seemed a little small during the first two days in Ottawa, but this was mainly due to the counter-attraction of the pipeline debate in the House, which was then at its zenith. This situation rapidly improved during the last part of the visit as Sukarno's personality began leaving its impact, and there was a large volume of editorial comment almost unanimously favourable to the President and his point of view. We shall be sending you a sheaf of samples of it in due course.

You will have gathered by now that the President's address to both Houses of Parliament was a full-dress affair in all respects similar to President Gronchi's address and those by other Heads of State. In other words, the President was introduced by the Prime Minister, thanked by both Speakers, and his remarks were printed in Hansard.[128] It was quite an impressive occasion and there is no doubt that Sukarno made quite an impact on his audience. Throughout the visit here and in the United States he concentrated pretty much to the exclusion of everything else on the themes of nationalism and anti-colonialism. By his forthrightness and bluntness he managed to arouse new interest in these rather hackneyed themes.

The visit as a whole was uneventful in that there were no untoward incidents or any real business done. Whether Sukarno has been influenced in his personal views to any considerable extent, I would not care to guess. He was very careful to avoid references to Indonesia's position as between East and West, except to stress his independence of the two power blocs. At no time did he express personal or official views on the relative merits of Communism and Capitalism, or give any indication as to how he personally felt on the subject. It may very well be that he was anxious not to compromise his freedom of action when he visits the Soviet Union later this year. I really think that we shall have to study and assess the results of that visit before attempting to form an opinion as to how Sukarno's travels have affected him.

The whole party were, of course, pretty tired by the time they arrived in Canada, but they managed to remain cheerful and friendly throughout their rather crowded itinerary. In fact, they were as pleasant a group as one could wish to entertain. The Service Officers were given a lunch by the Chief of Staff in Ottawa and the Chief Justice spent an hour or so with Chief Justice Kerwin. You already have a record of Mr. Abdulgani's talk with the Minister, which unfortunately took place at a very busy time for Mr. Pearson and had to be limited to about half an hour. With regard to other members of the party, D'Arcy McGreer and I and others who saw something of them hope to put together some "personality" notes which may be of assistance to you.

By next week, I hope to be able to send a much more complete account.†

Yours sincerely,

A.R. MENZIES

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[128] Voir Canada, Chambre des Communes, *Débats*, 1956, volume V, pp. 4953 à 4957.
See Canada, House of Commons, *Debates*, 1956, Volume V, pp. 4777-4781.

CHAPITRE V/CHAPTER V

AMÉRIQUE LATINE
LATIN AMERICA

PREMIÈRE PARTIE/PART 1

EXPORTATIONS DES AÉRONEFS MILITAIRES
EXPORT OF MILITARY AIRCRAFT

764. DEA/12001-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

SECRET [Ottawa], February 13, 1956

POSSIBLE SALE OF F-86 AIRCRAFT TO COLOMBIA

Two Canadian firms have recently been in contact with Colombian authorities in connection with possible contracts. One firm is Canadair, which hopes to sell F-86 aircraft; the other is Canadian Aviation Electronics, which hopes to obtain a contract to direct the installation and operation of an air navigation and control system. The CAE proposal would not involve classified information or material, is regarded by Defence Production as a satisfactory plan, and would not appear to involve the Government in any way. This information was given informally to the General Manager of CAE, who called last week to find out why government departments appeared to see a connection between his Company's proposal and the Canadair scheme.

2. The reason for the connection is that the first word received by this Department of either of these matters came in the form of a letter† followed by telegrams† from our Embassy in Bogota, and as far as the Embassy was concerned the two matters were related. The relationship arose because both firms are seeking to arrange a visit to Canada by a technical team to discuss their plans further. It is, apparently, a possibility that a single team might wish to come to Canada to look into both matters. The Embassy, with a view to the substantial contracts which might result, has recommended that the Government should issue or endorse an invitation for a Colombian Air Force team to make such a visit.

3. The Department of Defence Production would welcome a sale of F-86 aircraft to the Colombian Air Force. It would appear that perhaps one squadron might be involved; this would presumably mean about two dozen aircraft worth perhaps $8 million. The Department of Trade and Commerce in general endorses Defence Production's view, but points out that the Government should give no encouragement to a visit by a technical team which might discuss the purchase of F-86 aircraft unless the Government has previously determined that it will probably be willing to release such aircraft. The Department of National Defence is also involved, since Canadair's plan calls for the team to visit RCAF installations in order to see demonstrations of the aircraft in operation. National Defence's position is that they would be quite willing to have a technical team visit some of their installations in order to see F-86 aircraft on the ground and in flight, but that they would

not be willing, at least without careful consideration, to have a Colombian Air Force team visit air defence headquarters and learn any details of RCAF arrangements for the operation of an air defence system using these aircraft.

4. Some indication of these views was given to the representative of CAE who called last week, and he drew the obvious conclusion that his firm might be well advised to invite a Colombian team to come to Canada for the sole purpose of discussing the possible CAE contract without reference to the possible purchase of F-86's or to any visit to Government establishments.

5. We understand that Mr. Howe wishes to have an official invitation issued for a Colombian Air Force team to come to Canada to discuss the purchase of F-86 aircraft with Canadair and, at the same time, to see whatever demonstrations of these aircraft the RCAF is prepared to provide. He would wish to see this done because he believes that the Government should be prepared to release the aircraft if the Colombians are willing to purchase. We understand he is likely to speak to you about this matter in the near future.

6. For our own part, we are doubtful whether it would be advisable to release such aircraft to Colombia at the present time and therefore whether it would be appropriate for the Government to take any part in arranging for a visit which might lead to such a result. Canada has not yet provided swept-wing jet aircraft to any country other than members of NATO or the Commonwealth. In addition, the size of the proposed sale would be out of all proportion to the volume of business in military items which Canada has carried on with Latin American countries in the past. The deal would thus constitute a precedent, both in terms of the type of item supplied and in terms of the dollar value. We are seeking to obtain information from the Joint Intelligence Bureau on the availability of similar aircraft to Latin American countries in general and, if it should appear that such aircraft are in fact available from the United States, United Kingdom or other sources to a number of Latin American countries, it might be that the matter should be reconsidered. At least until such information is forthcoming, however, we would recommend that such aircraft be not released to Colombia and that the Government should not endorse an invitation to the Colombian Air Force to send a technical team to Canada to investigate the possibility of buying. It would follow that we should discourage Canadair from inviting such a visit on their own responsibility, since a visit of this nature, even under Canadair's private auspices, would probably be taken to imply that the Government would not object to a sale.[1]

J. L[ÉGER]

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765. DEA/12001-40

Note informelle du ministère du Commerce

Informal Note by Department of Trade and Commerce

CONFIDENTIAL [Ottawa], February 27, 1956

SALE OF F86S TO COLOMBIA

We agreed to draft a joint submission to Cabinet on behalf of Canadair as soon as we received a formal application for an export permit. The application is now in hand.

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[1] Note marginale :/Marginal note:

We should have a report on conditions in Colombia: also, inquire of US, UK about their policy re such orders before we make any decision here. L.B. P[earson]

As I see it, the division of responsibility between the different branches is as follows. External Affairs will handle the political aspects, Department of Defence Production the production and Department of Trade and Commerce commercial relations.

We have obtained Department of Defence Production's views and they would like the following paragraphs included in the memorandum to Cabinet.

"The Department of Defence Production welcomes this order for additional F-86 aircraft as a means of reducing Canadair's overall cost of production of similar aircraft for the RCAF.

The purchase of this aircraft by Colombia may stimulate sales to other parts of the world, and will certainly result in continuing spares business for Canadair which, in turn, reduces the cost of all production for Canadian Government account."

We, in Trade and Commerce, are keenly interested in this matter, and are under instruction to support Canadair's efforts to find export markets in a manner which would not infer and would not be interpreted as indicating prior approval by the Canadian Government. We feel that this business is important to Canadian commercial relations with Colombia.

Canadair has negotiated a contract with the Colombian Government to establish in that country overhaul and service facilities for jet aircraft. This deal involves management and supervision and training of personnel and will call for the services of over 100 of their own technicians in Colombia for a period of two to three years. This contract is not related to the sale of Sabre jets as these facilities are presently needed to service T-33 jet trainers purchased from United States sources which are now in use by the Colombian Air Force. These services would also be used to service any new jet aircraft.

From the foregoing, I think it can be clearly seen that the fact that over 100 Canadian personnel will be employed in Colombia for these servicing facilities would suggest that a large quantity of Canadian equipment will find its way into Colombia through these channels. If the Colombian Government were to obtain the Sabre jets undoubtedly there would be a much larger flow of Canadian equipment into Colombia in the form of replacement parts. Obviously, the Colombian Government will need more aircraft from time to time as six units would hardly be sufficient planes for the Colombian Air Force.

In addition to the foregoing, there is also the possibility that a Canadian firm may be given the opportunity to quote on radio beacon stations and telecommunication equipment which is urgently required in Colombia, not only for military aircraft purposes, but also for commercial aircraft needs. This in itself would constitute a substantial contract and by and large we feel that these projects would bring Canada's name to the attention of the Colombian people in such a way that we would expect our commercial connections with Colombia to be considerably improved.

766. DEA/12001-40

Le sous-secrétaire d'État aux Affaires extérieures
au sous-ministre du Commerce

Under-Secretary of State for External Affairs
to Deputy Minister of Trade and Commerce

SECRET [Ottawa], February 28, 1956

POSSIBLE SALE TO COLOMBIA OF F-86 AIRCRAFT

Yesterday Mr. Harvey and Mr. Thorne of your Department discussed this matter with Mr. Ritchie and Mr. Kirkwood of this Department. Mr. Harvey referred to the various arguments, with which you are already familiar, in favour of the proposed sale, and left with us some notes summarizing these arguments as assessed by officials of your Department and of the Department of Defence Production. Mr. Ritchie in turn referred to considerations which would suggest that we should proceed cautiously. These considerations were developed in two memoranda† prepared in this Department, and I might outline them briefly here.

The first memorandum examined the general political considerations relating to the sale of modern jet military aircraft to South American countries. Briefly it would appear that such sales would involve a significant precedent for Canada, since the role of supplier of military equipment of this nature to areas like Latin America has traditionally been filled by the great powers.[2] The United States, moreover, is bound to the various Latin American countries by the Rio Treaty to which we are not a party. Our sales of such aircraft to date have been within the special relationships created by membership in NATO and the Commonwealth.

Most Latin American governments are military dictatorships, and to bolster these régimes by the provision of expensive military equipment (for which the countries concerned must sacrifice resources which might in their own interest be better employed for constructive social purposes) would tend to alienate in those countries the liberal and progressive forces with which Canadian opinion is disposed to be sympathetic. Such activities would contrast with our Colombo Plan role in South East Asia,[3] and might open us to the attacks of Latin America's not insignificant Communist propagandists. Finally, it is questionable whether the provision of modern weapons to South American countries would in fact serve to increase in any significant way the effective military strength of the free world.

The second memorandum analyzes recent political trends within Colombia. The present régime, following its accession to power, initially provided effective and progressive government and commanded substantial popular support. In June of 1954, however, through stupidity and bad luck soldiers fired on an unarmed student parade, a number of civilians were killed, and many more injured. Popular opinion turned against the government, and it has maintained itself in power only through the exercise of increasingly repressive measures backed solely by armed force. The régime is now thoroughly unpopular, and while there is no immediate prospect of its overthrow, it clearly is in form and substance a military dictatorship of an unpleasant type. It has no present quarrel with its neighbours, but the possibility cannot be excluded that the régime may be driven to seek a military adventure to distract attention from its unpopularity and to avoid the risk of more serious disaffection.

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[2] Note marginal :/Marginal note:
merely because they were the only ones who had arms to export? L.B. P[earson]

[3] Note marginal :/Marginal note:
where we also sell arms [L.B. Pearson]

We appreciate fully the arguments in favour of the proposed sale, and we consider them valid as far as they go. I have thought it useful to set out these other considerations, however, in order to explain why it would be difficult for us to join at present in recommending to Ministers that the sale be approved. We have asked the Joint Intelligence Bureau to provide an assessment of the military aspects of the matter, and I would suggest that it should be discussed again when that opinion is available. In the meantime, I hope you agree that it would be premature to frame a recommendation to Ministers.

JULES LÉGER

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767. DEA/12001-40

Le sous-ministre adjoint du Commerce
au sous-secrétaire d'État aux Affaires extérieures

Associate Deputy Minister of Trade and Commerce
to Under-Secretary of State for External Affairs

SECRET

Ottawa, March 7, 1956

Dear Mr. Léger,

POSSIBLE SALE OF F-86 AIRCRAFT TO COLOMBIA

I am grateful to you for putting on paper the reasons why you would have difficulty at the present time in joining in a recommendation to Ministers that the sale of these aircraft be approved. In view of the urgency of the matter, I have reported to my Minister the reasons for your concern.

We anticipate, perhaps incorrectly, that the report by J.I.B. will point to the fact that other governments in Latin America have been supplied with these aircraft and that these same planes have been freely offered to Colombia by the United States.

I appreciate the considerations which you must have in mind in studying what should be your own conclusions. I would like to point out, however, that there has been no previous warning of the position which you are now taking. It had been our understanding that this was a safe area in which to develop the type of business which is so important to our own developing aircraft industry. I am afraid that things have reached the point where we may face some real embarrassment if a decision is reached which will compel the manufacturer to withdraw the offer against which we understand he already has a letter of intent to purchase from the Colombian Government

Yours faithfully,

M.W. SHARP

768. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], March 15, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Health and Welfare (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

EXPORT OF ARMS; PURCHASE OF F86 AIRCRAFT BY COLOMBIA

24. *The Secretary of State for External Affairs* reported that Colombia wished to buy some F86 Sabre aircraft from Canadair. This was the first large order from a non-Commonwealth, non-N.A.T.O. country. It would be difficult to refuse to sell to a country which wished to develop its legitimate defences and which was in an area of the world where there was no tension at the moment. Another consideration of importance was the maintenance of the Canadian aircraft industry. Nevertheless he could foresee criticism if the order were filled.

25. *The Cabinet* noted the report of the Secretary of State for External Affairs on the request of Colombia to buy F86 aircraft, and deferred decision on the request and on the questions of general policy to which it gave rise.

. . .

769. DEA/12001-40

Note du sous-secrétaire d'État aux Affaires extérieures pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs

SECRET [Ottawa], March 20, 1956

PROPOSED EXPORT OF F-86 AIRCRAFT TO COLOMBIA

I attach for your signature if you approve a memorandum for the Cabinet recommending the release of the six F-86's which the Colombian Air Force has ordered from Canadair.

The memorandum takes account of — indeed is based on — the comments received from other departments concerned, and reflects what I understand to be your own views.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 75-56 [Ottawa], March 20, 1956

SECRET

PROPOSED EXPORT OF F-86 AIRCRAFT TO COLOMBIA

Canadair Limited has obtained an order to sell six F-86 aircraft to the Colombian Air Force. It is for decision whether an export permit should be issued to allow this transaction to proceed.

This order for F-86 aircraft has been welcomed as a means of reducing Canadair's overall cost of production of similar aircraft for the R.C.A.F. The purchase of this aircraft by Colombia may stimulate sales to other parts of the world, and will certainly result in continuing spares business for Canadair which, in turn, will reduce the cost of production for Canadian Government account.

This transaction, and others to be mentioned, might be expected to lead to a considerable improvement in Canada's general commercial relations with Colombia. Transactions which are related to this one but not dependent on it include a contract which Canadair has negotiated with the Colombian Government to establish in that country overhaul and service facilities for jet aircraft. This would include management, and supervision and training of personnel, on a scale calling for the services in Colombia for two or three years of more than one hundred Canadair Technicians. The facilities to be established are required in any case for T-33 jet trainers already owned by Colombia, but the magnitude of the transaction would undoubtedly be increased if the Colombian Air Force should obtain Canadian built F-86 orders, since six of these aircraft would hardly be sufficient over any length of time for the requirements of the Colombian Air Force. Finally, another Canadian firm (Canadian Aviation Electronics) may obtain a contract for installing and operating in

Colombia an aeronautical control system involving radio beacons and telecommunications equipment for the use of civil as well as military aircraft. As Colombia is a central point for South American air traffic there are obvious commercial advantages in having Canadian firms obtain contracts from the Colombian Government in this general field.

There have been certain misgivings in connection with the proposed sale of F-86's to Colombia. It would constitute a precedent, in that we have not so far provided such aircraft for countries outside NATO and the Commonwealth. The present régime in Colombia is a somewhat unpopular military dictatorship, and there are political disadvantages in providing powerful and modern military equipment to such governments. Nevertheless it appears that similar aircraft are available from other sources to neighbouring South American countries, and there is little doubt that Colombia will obtain the aircraft it wants from another supplier if Canada does not release them. While the régime is not exemplary, it appears to be reasonably stable and Colombia has no history of dispute with neighbouring countries.

There are no military objections to the proposed sale, and it would appear to have little or no bearing on the possible sale of jet fighters to NATO countries such as Belgium or Germany where a different range of considerations applies.[4] Our recent sale of such aircraft to South Africa has already established a certain precedent to which countries such as India might refer in pressing a request, it does not appear that our freedom to accept or reject future requests on their merits would be further affected in any significant way by a sale now to Colombia.

Taking account of these various factors, I recommend that approval be given for the issue of an export permit for the export by Canadair of six F-86 aircraft to Colombia.

L.B. PEARSON

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[4] Pour de la documentation à propos de la vente d'avions militaires à la Belgique et à l'Allemagne, voir volume 22, chapitre III, première partie, les sections D et E.
For documentation on the sale of military aircraft to Belgium and Germany, see Volume 22, Chapter III, Part 1, Sections D and E.

770. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], March 22, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

. . .

EXPORT OF ARMS; PROPOSED SALE OF AIRCRAFT TO COLOMBIA
(PREVIOUS REFERENCE MARCH 15)

30. *The Secretary of State for External Affairs* said that Canadair Limited had now obtained an order to sell six F-86 aircraft to the Colombian Air Force. This sale would reduce the overall cost of production of similar aircraft for the R.C.A.F. It might be expected to lead to considerable improvement in Canada's general commercial relations with Colombia. There were no military objections and the sale appeared to have little or no bearing on the possible sale of jet fighters to N.A.T.O. countries. Moreover, it was likely that Colombia could get equivalent aircraft elsewhere.

The Minister recommended that an export permit be issued to allow this transaction to proceed.

An explanatory memorandum was circulated.

(Minister's memorandum, March 20, 1956 Cab. Doc. 75-56).

31. *During the course of discussion* the following points emerged:

(a) Although Colombia was not a democratic country, it did not appear to have any aggressive aims at the moment. That country was the best friend that Canada had in South America and it would be difficult to explain why the export of the aircraft could not be permitted.

(b) If the export permit were refused, the government would probably have to take the same position with respect to export of military equipment to any other country in South America. On the other hand, if a similar request were received from India, it would probably be accepted on the ground that this was a Commonwealth country, although the danger of an aggression in that area was greater than in South America.

(c) If the order were accepted, it might stimulate sales in other countries and strengthen the Canadian aircraft industry.

32. *The Cabinet* noted the report of the Secretary of State for External Affairs on the proposed sale by Canadair Limited of six F-86 aircraft to the Colombian Air Force, and agreed that an export permit be issued to authorize the transaction.

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771. DEA/12001-40

Le sous-secrétaire d'État aux Affaires extérieures
à l'ambassade en Argentine

Under-Secretary of State for External Affairs
to Embassy in Argentina

LETTER NO. X-348 Ottawa, October 23, 1956

CONFIDENTIAL

EXPORT OF MILITARY JET AIRCRAFT TO LATIN AMERICAN COUNTRIES

Enclosed is a memorandum prepared in the Department on the export of military jet aircraft to Latin American countries. Our object in drafting this paper was partly to clear our own minds on the political implications of such exports, and partly to elicit views on the special conditions which may prevail in various countries. We would appreciate your comments on the application to Argentina of the factors elaborated in the memorandum, and any additional points you think pertinent to the discussion. This background information will help us in advising on specific proposals for sales which may be submitted to the Government for approval in the months to come.

A.E. RITCHIE
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Note du chef de la Direction de l'Amérique

Memorandum by Head, American Division

CONFIDENTIAL [Ottawa], October 19, 1956

EXPORT OF MILITARY JET AIRCRAFT TO COUNTRIES OF LATIN AMERICA

The export of Canadian jet aircraft has been the subject of a great deal of consideration by the Government and in Parliament in recent months. The main issue has, of course, been the application of the Israeli Government to buy twenty-four F-86 aircraft.[5] Other questions with which the Government has dealt have been the proposed export of CF-100 aircraft to Belgium, the supply to West Germany of F-86 aircraft, both under mutual aid and subsequently by commercial sale, and a sale of F-86 aircraft to Colombia. The sale to Colombia was approved and the aircraft were delivered in the early summer.

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[5] Voir volume 22, chapitre premier, section C.
See Volume 22, Chapter I, Section C.

2. The Chief of Staff of the Venezuelan Air Force has recently visited Canada as a guest of AVRO. He was also a guest of the RCAF for a day or two. AVRO have organized the visit of a group of representatives to Bogota, Caracas, Rio de Janeiro, Buenos Aires and Lima next November, to promote the sales of CF-100 aircraft. This visit is the subject of letter No. E-169† of August 8 to Bogota, of which copies were sent to the other interested missions. In letter No. E-169, the missions concerned were informed that there was no objection in principle to the sale of these aircraft and that therefore they should give the AVRO representatives every proper assistance. At the same time, the missions should make clear that the Canadian Government was not officially promoting the sales of CF-100 aircraft, but that it was benevolently neutral. The letter went on to describe the security difficulties in the sale of CF-100's, in that certain parts of the equipment are of United States design and permission would have to be obtained from the United States authorities for the release of these aircraft. This security difficulty was given as the principal reason for a cautious attitude toward the sales effort of the AVRO representatives.

3. The Ambassador in Caracas has suggested that there should be a good will flight of three CF-100's to Venezuela and other countries in Latin America in December 1956. The genesis of this idea was that such a flight would be very good general publicity for Canada and for Canadian industry, in view of the impression made by the CF-100 at the Farnborough air show in September 1955. However, in view of the visit of the AVRO representatives to Latin America next November, the flight would obviously be directly linked to their efforts to sell these aircraft.

4. The sale of Canadian jet aircraft to countries outside the Commonwealth and NATO is a new development. The first sale in Latin America was the recent one to Colombia, although on a previous occasion a sale was approved by the Government but not completed. The emergence of Canada as a supplier of jet aircraft in Latin America is an important political and commercial development. It is particularly important that this department should ensure that the political implications are given due weight. The Government's view is that there is no objection in principle to the sale of jet aircraft to the countries of Latin America, but that any particular proposal should be the subject of a specific decision. As proposed sales may be submitted for Government approval within the next few months, it seems desirable to set out some of the considerations which might influence a Government decision on them. Accordingly, this memorandum has been prepared for circulation to various interested missions, so that when considering the sale of jet aircraft to a given country, the Department may have the views of the missions and an up-to-date report on local circumstances. It is also expected that some of the heads of mission may want to offer some general observations on this subject.

5. In the first place, such sales are of great importance to the health of the Canadian jet aircraft industry. The domestic Canadian requirement is not likely to be sufficient to maintain this industry on an economic basis. The design and bringing into production of modern aircraft is very costly and a substantial volume of production is necessary before it is worthwhile. The limited Canadian demand can, of course, be supplemented by giving away aircraft, for example, as NATO mutual aid, but this produces no direct economic return and does not offset the cost to Canada. The sale of a moderate number of our aircraft to foreign countries would make it far easier to maintain the industry as an up-to-date production facility. In particular it would assist in carrying it over the transition period between the fulfilment of Canadian requirements for a particular aircraft and the coming

into production of its successor, a period which now involves problems of unemployment and loss of skilled personnel. The industry, in other words, now tends to operate on a cycle tied to each new type of aircraft and the development of foreign markets (especially in less advanced countries where aircraft which have become obsolescent by Canadian standards would still be in demand) would be most valuable in helping to smooth out the peaks and valleys of the cyclical process.

6. In the second place, it is obviously desirable that we should seek to sell abroad first-rate Canadian industrial products such as jet aircraft. Such sales are of commercial advantage and also enhance our standing in foreign countries. In some countries of Latin America, moreover, there seem to be few possibilities of expanding trade in other directions, but there may be a real possibility of obtaining Canadian sales of jet aircraft. This is particularly the case in a country such as Venezuela, where the balance of trade is strongly adverse to Canada. Moreover, the United Kingdom and the United States are now very much engaged in the export of jet aircraft to Latin America and various Latin American governments are anxious to buy more aircraft. This, therefore, is a legitimate trade and if we do not supply the aircraft, other countries, including even the Soviet Union, will do so. Jet aircraft, incidentally, are one of the few costly and complicated engineering products in the sale of which we can compete with the United Kingdom and the United States.

7. Our new role as a supplier of jet aircraft for Latin America is in keeping with our increase in international importance and military strength. Continued sales of jet aircraft will increase our influence in the area and enhance respect for Canada.

8. There are various arguments which might be advanced against the sale of jet aircraft in a particular case. In the first place, there are a number of traditional animosities and rivalries between the countries of Latin America and in the past these have resulted in local wars. The supply of modern arms tends to encourage these rivalries and, in some cases, might be a contributing factor to the outbreak of war. The primary responsibility for avoiding international tension rests, of course, with the countries themselves and with the Organization of American States, or possibly with the United Nations. The disarmament efforts of the United Nations may in time have some bearing on this question.

9. It is also true that the prompt attention given by the Inter-American Peace Committee of the OAS to the several appeals made to it in recent years by countries that were attacked or deemed themselves attacked, appears to have had a salutary effect, the attendant publicity being in itself, no doubt, a powerful deterrent to dictators who might be considering aggression. There has been nothing more than occasional border incidents since the tragic Bolivia-Paraguay war ended in 1935. Nevertheless, Latin American tempers are quick and their pride is sensitive; the possibility of a resort to arms always exists.

10. The countries which supply jet aircraft — the United States, the United Kingdom, and now Canada — bear some responsibility in the matter, particularly for ensuring that their methods of competition for sales do not exacerbate tensions between countries and prevent efforts which might be made to resolve differences. It would obviously be undesirable that we should develop anything like a vested interest in competitive armaments programmes of various military dictatorships. It may be appropriate, in certain circumstances, for the United Kingdom, the United States and Canada to consult about the shipment of aircraft to some countries, as has been done in the case of the Middle East. It might be desirable in some cases to reach an understanding for limiting sales or for dividing sales between potential suppliers. In any event, the implications of Canadian aircraft sales in this setting should be well thought out.

11. Jet aircraft may be used to suppress revolts. Revolts are, of course, a familiar feature of the Latin American scene and are often the appropriate way to get rid of an unsuitable government. The jet aircraft is not designed for use against rebels, but even though it is not tactically suitable it might have a very impressive effect upon them. If Canadian aircraft were used in this way, it might possibly lead to some bitterness and ill will toward Canada. At the same time, it is realized that Canadian aircraft might be used to bring a better government to power or to hold the best one there.

12. More than one dictator-president holds his power today only through the control exercised by the armed forces; if such a régime becomes so hated by the people as a whole that they revolt, or would revolt if they could, the salesman of arms is always in the unfortunate position that his customer is the oppressor. His sale of arms has strengthened the power of the dictator and, if this is known by the people, he may share the odium. Missions may be able to indicate if jet aircraft have been used to suppress or assist local rebellions, and if this has resulted in hostility toward the country supplying the aircraft.

13. It is quite possible in a more general way that the supply of jet aircraft could be portrayed by opponents of the different régimes as constituting support for the régimes from abroad. There does seem to be an opportunity here for good communist propaganda. The various military dictatorships could be portrayed as putting down the common people with weapons supplied by foreign capitalist governments, in contrast to the programmes of welfare which would be inaugurated if a communist-supported government came into power. Admittedly, Soviet sales of aircraft to Egypt could be used in rebuttal, but communist propaganda would make its mark in the limited Latin American setting before replies became effective.

14. It is doubtful whether the furnishing of jet aircraft to Latin American countries adds anything of consequence to the military strength of the western powers. It may be that some countries such as Venezuela might perform a useful local role in the event of a general war and the presence of military missions in several countries may imply a more favourable opinion by the United States, but the experience of World War II indicates that the armed forces — and particularly a highly technical arm like the air force — of Latin America would not be a very effective element on the western side, outside the area of Latin America.

15. It is realized that conditions vary greatly from one country to another and that considerations which have no bearing in the case of, for instance, Brazil, might be important in Peru. The purpose of this memorandum is to suggest various aspects of this question, in the hope that it may elicit observations on the conditions in individual countries and also on the general policy issue.

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772. DEA/12001-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 2009 Washington, November 6, 1956

CONFIDENTIAL

Reference: Your telegram EE-162 October 13.†

POSSIBLE SALE OF F-86'S TO ARGENTINA

On November 2, we saw Margrave of the State Department's Office of Munitions Control, and passed on to him the info contained in the first paragraph of your telegram under reference.

2. Margrave told us that US authorities have been perturbed lately by the "prospection" for jet aircrafts carried out by Argentine authorities in various countries. According to Margrave, USA authorities have been approached with a request for "advanced type of aircrafts" and so, he believed, have the UK and France.

3. Margrave said that the OMC would not view with favour a large purchase of jet fighters by Argentina at the present time. Such purchase would create serious payment difficulties for Argentine authorities; furthermore, in his opinion, these authorities have no realistic appraisal of the cost of, and requirements for operating such aircrafts. Their personnel and ground facilities are inadequate. If Argentina has money to spare for defence expenditures there are some more pressing needs to be met and Argentina's defence would be better served if available funds were expended more discriminately. Margrave said that USA military missions in Argentina were trying to impress on Argentine authorities the need for a realistic appraisal of their own requirements. He added that Argentine authorities were not at the present time considering the purchase of aircrafts in the spirit of consultation and cooperation desirable for integrated continental defence. In addition, a large purchase of aircrafts by Argentina would likely be seen with misgiving by Brazil and other South American countries. Margrave concluded that any info on possible sales of jet aircrafts to Argentina which Canadian authorities could provide to USA authorities would be most welcome, considering their present concern.

4. As you are aware Canadair manufactures and sells F-86 Sabre Jets under license from North American Aviation Company of California. It is our understanding that under the terms of the licensing agreement sales abroad of F-86's by Canadair are conditional on prior approval by North Aviation, which in turn seeks the concurrence of the State Department before the sale is approved. Should a serious prospect of sale by Canadair to Argentina ever materialize, the State Department would, therefore, be seized of the question sooner or later. You will remember that because of this control you decided to seek the State Department's views on a possible sale of F-86's to Venezuela when you had it under consideration in March 1955.

5. Under these circumstances you might wish now to consider whether it would be appropriate and advisable to keep the State Department informed of further developments with regard to this particular sale whereof you may be aware. In our opinion, it might be more difficult to overcome the State Department's objections, assuming we ever had to do so, should they feel rightly or wrongly that we have not kept them in the picture.

[A.D.P.] HEENEY

773. DEA/12001-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM EE-236 Ottawa, November 9, 1956

SECRET. IMPORTANT.

Reference: Your 2009 November 6.

POSSIBLE SALE OF F-86'S TO ARGENTINA

1. There is set out below the text of a message prepared in answer to your telegram under reference. This text is to be considered by ministers, probably on Saturday morning (November 10), and you should take no action on it until you receive further instructions from us following that ministerial consideration. Text begins:

We agree that information on sale can be supplied to U.S. authorities but are concerned by implications of Margrave's observations.

2. You may inform Margrave in confirmation of the public announcement made by Argentina Government (which has obviously attracted attention) that Canadair have offered new F-86 aircraft from Canadian production to the Argentine Government with the approval of North American Aviation Company, and have now received the Argentine Government's letter of intent covering the purchase of 36 aircraft subject of course to granting of an export permit by Canada.

3. You should explain further that we have been aware of these negotiations, and have been informed that North American Aviation were previously negotiating for the sale to Argentina of F-100 aircraft at the time when the State Department offered the Argentine Government a gift of reconditioned F-86 aircraft. It is our information that this offer was subsequently withdrawn when North American Aviation protested that the free offer of reconditioned aircraft was in direct opposition to the company's commercial interest. We understand further that this offer has been reinstated now that North American Aviation is out of the picture.

4. The F-100 aircraft costs approximately two and one half times the price of the F-86.

5. The prospect of a sale is public knowledge following the Argentine announcement, and Argentine officials are expected to arrive in Canada shortly. Canadair has kept North American Aviation fully informed of their negotiations and also has kept the Canadian Government informed. The Canadian Government knows no reason to discourage Canadair from continuing with this business and is not persuaded by what Margrave has said that any compelling reason does exist.

6. If our information is correct that the offer by Canadair had prior approval of North American Aviation, and that North American Aviation had previously offered a considerably more expensive plane to the Argentine Government, apparently with the knowledge of the State Department, the considerations advanced by Margrave are not very convincing.

7. You will recall the unhappy experience which occurred in the course of our negotiations with the Belgians for the sale of the CF-100 when, after we had experienced difficulties with the U.S. over a security aspect, the U.S. offered as mutual aid another aircraft involving the same security problem. You may refer to this case at your discretion.

8. In any event the Canadian Government is interested in seeing a Canadian defence industry obtain this business, and under all the circumstances would be very hesitant to intervene at this stage by refusal of export permit. We would take a serious view of the matter, in the light of the information referred to above, if this business were now lost to Canadair through USA intervention, and particularly if it were subsequently to be taken up by a USA firm or by the US Government.

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774. DEA/12001-40

Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis

Secretary of State for External Affairs
to Ambassador in United States

TELEGRAM EE-284 Ottawa, November 16, 1956

SECRET. IMPORTANT.
Reference: Our telegrams No. 236 and 252.†

F-86'S FOR ARGENTINA

This is to confirm, somewhat belatedly, the information given by Kirkwood on the telephone. The Prime Minister and Mr. Howe both considered it important that USA commercial interests should not prevent the proposed sale.

We therefore think it desirable to make our views known pretty promptly, even in Margrave's absence. It would appear to us best to take the matter up in his absence at the higher rather than the lower level. We recognize that this involves some risk of consolidating USA objections which may so far be only tentative, but we nevertheless consider it desirable that they know our attitude soon. If the USA is in fact likely to interfere through the licensing arrangement it is important for us to know this as soon as possible, and equally we should wish to learn promptly of any USA objections which might be more substantial than those put forward by Margrave.

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775. DEA/12001-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 2139 Washington, November 23, 1956

SECRET. IMPORTANT.
Reference: Your telegrams EE-236, EE-252 and EE-284 November 9, 12 and 16.

PROPOSED SALE OF F86'S TO ARGENTINA

Your last telegram under reference was received on November 19 in the morning; we had already arranged to see Margrave that afternoon. We therefore called on him to transmit your views as contained in your EE-236 November 9.

2. Upon learning the purpose of our visit Margrave said that he had just received from North American Aviation a letter requesting the State Department's concurrence in their approval of Canadair's prospective sale to the Argentine Government. The question Margrave said was therefore ripe for consideration.

3. We conveyed to Margrave the info contained in paragraphs 2 to 5 inclusive of your EE-236. This was, we said, what we knew of the background of Canadair's proposed sale and the state which their negotiations with the Argentinians had already reached. In view of this info we emphasized the points he had made at our previous meeting against a purchase of jet fighters by Argentina could not be found compelling by Canadian ministers and they saw no reasons to discourage Canadair. We added that if the sale were to be lost to Canadair through the intervention of the USA Government and as a result taken by a USA firm, we would indeed take a serious view of the matter.

4. Margrave's comments were that some aspects of our info were not altogether true to the story as he knew it. At no time, he said, had the State Department made any definite offer of reconditioned F86's to Argentina, as a gift. It was true, on the other hand, that a proposal to that effect had been raised within the USA administration. However, this proposal was tentative and so far had only received preliminary consideration. Margrave explained at some length that a decision on military aid of this kind was only reached after searching and lengthy consideration. He said that in the present circumstances it was far from certain that an offer of reconditioned F86's to Argentina could, in fact, be made.

5. You will appreciate that speaking to this point Margrave was coming close to indicating whether or not they would make an offer to Argentina. He was therefore purposely vague and would not be drawn out. While he probably had in mind the stage reached by Canadair in its negotiations, as well as the time required for a decision to offer military assistance and perhaps also technical questions (such as the availability of reconditioned F86's), we got the impression that the first of these "present circumstances" was uppermost in his mind. In other words, and we hope this is not too favourable an interpretation of his vague language, he may have been telling us that no offer of reconditioned F86's would be made in a way as would lose the sale for Canadair.

6. As for North American's offer to Argentina, the State Department had been aware, Margrave said, of North American's intentions to sell F100's to the Argentine Government; but the State Department had not been kept fully in the picture and did not know how and to what extent North American's negotiations with Argentine authorities had proceeded. In any event, whatever the outcome of these negotiations, the State Department would not repeat not have authorized the export of F100's to Argentina. Margrave was definite on this point although he did not make clear whether the OMC position in this matter had been known to North American and provoked North American's withdrawal from the picture. USA authorities, Margrave explained, consider that the Argentinians have no need for such advanced aircrafts as the F100's and would not be in a position to operate them efficiently. Furthermore, in their estimation this sale would cause concern to Argentina's neighbours and it would be undesirable to introduce any reason for tension in the area (these were much the same points Margrave had advanced against a purchase of jet aircraft by Argentina at our previous meeting). Incidentally, Margrave added that USA authorities do not rate very highly Latin America's contribution to continental defence. They found little reason, therefore, to provide Latin American armed forces with advanced equipment since these forces would probably prove of little avail if ever put to the test.

7. According to Margrave the Argentinians' desire was to obtain F86's. They had not shown great interest in any other types of aircraft. But North American had dismantled its

F86's production line and was no longer able to provide them. Therefore, considering the State Department's veto on F100's and North American's inability to procure the Argentinians the plane they wished to purchase, there was little likelihood of the USA supplying the Argentine Government with aircrafts on a commercial basis. Margrave assured us that USA commercial interests had not and would not in any way affect the OMC's position with regard to the supply of jet aircraft to Argentina. Conversely the political factors which would be taken into account by the OMC in reaching their position could not be used as a cloak to further USA commercial interests.

8. While welcoming Margrave's assurances, we pointed out that the commercial competition element had been removed and that the question had then taken quite a different turn. North American being out of the picture, we understood that the Argentinians could be supplied F86's in either of two ways — in the form of USA military aid or else supplied by Canadair on a commercial basis. Margrave confirmed that this was the situation. If no offer of reconditioned F86's was made and accepted, not only would USA authorities not disapprove of a sale of F86's by Canadair but would actually welcome it. In his opinion Canadair should then have priority over any other sources of supply. USA authorities were not unsympathetic with the Argentinians' desire to modernize their armed forces, especially with North American equipment as long as they kept within the bounds of reason. Margrave added that the acquisition of 36 F86's by the Argentine Air Force did not appear unreasonable.

9. In spite of these reassurances we stated flatly (in accordance with the last paragraph of your telegram EE-236) that if Argentine business was lost to Canadair through a USA gift offer, we would take as serious a view of the matter as if it were lost to USA commercial interests as a result of USA Government intervention. Negotiations between Canadair and the Argentinians had reached an advanced state. Furthermore the Canadian Government was interested in seeing a Canadian defence industry get this business. We said that the USA administration might have substantial objections of a non-commercial nature to Canadair's transaction with the Argentinians. If it was so we would wish to know of them and take them into account in our further consideration of this sale. We added that a serious situation would develop if the Canadian Government were to approve the export of F86's to Argentina and the State Department then exercised their control over North American to prevent such export.

10. Margrave was quick to take up the latter point. He said, speaking generally, that, if the American authorities saw objections to the sale of F86's to any particular country, they would try and convince Canadian authorities of the validity of their views while the export application was still under consideration. Assuming Canadian authorities decided to disregard USA objections and take a decision running counter to USA counsel, it would be "most unlikely, in fact almost unthinkable", he said, that the State Department would use the licensing device to foil the Canadian decision.

11. As for the OMC's objections to the proposed sale, Margrave said there seemed to be no need to state any in detail at the present time. In fact, if the USA administration did not decide to offer a gift of reconditioned F86's to Argentina, the OMC would raise no objection to Canadair's prospective sale. If, on the other hand, such a decision was taken there would be further consultation with us. We asked Margrave when we could expect their decision to be made known to us. He answered it would be in the course of next week.

12. It is difficult to interpret Margrave's statements so as to get a clear picture of USA intention at the present time. However, in our opinion the following points seem to have emerged from this and our previous meetings with him. When Margrave enquired on Octo-

ber 25 whether we had any info on Canadair's proposed sale to Argentina (our telegram 1929 October 25†), no question of competing commercial interest was involved — there was however the question of a possible offer of reconditioned F86's to Argentina. Some of the points made at our following meeting on November 2 (inadequacy of technical competence and ground facilities, cost of operation, misgivings of other South American countries) may have been considerations which in the opinion of USA authorities weighted against a gift. Perhaps Margrave raised them to impress on us the interest USA authorities took in the matter. As long as no prospective purchase of aircraft by Argentina was in view they could take their time in deciding the question of military aid. However, with Canadair in the picture, they found it necessary to ascertain from us whether there was any serious prospect of sale as their decision on a gift would obviously have to be hastened thereby.

13. We asked Margrave whether the Argentinians were aware that an offer of reconditioned F86's to them was being considered. He said he was not in a position to answer. We had in mind, of course, that if the Argentinians were not aware of the gift offer they might reconsider their purchase from Canadair if they heard of this or the offer was made. They may, on the other hand, have been aware all along of a possible offer and in spite of it have decided to sign the letter of intent. A third possibility would be for them to have tried to elicit a decision from USA authorities on the gift proposal by negotiating with Canadair.

14. We felt, however, on leaving Margrave that he was well aware of how seriously we would view a gift offer now being made to Argentina by USA authorities and this business thereby being lost to Canadair. He was also impressed by the strong reaction his previous comments relating to Canadair's proposed transactions had provoked on the part of the Canadian Government. Furthermore considering that a gift offer has only received preliminary consideration and the time which, according to Margrave, is necessary to arrive at a decision on such an offer, it does not seem likely that within a week USA authorities will be able to do much more than abandon the suggestion that an offer be made. It may be therefore that in giving USA authorities until the middle of next week to inform us of their position Margrave dropped a strong hint on what this position will be.

14. We called Margrave again this morning to reaffirm the views and comments we had expressed earlier this week and in particular the adverse effects of a USA offer to Argentina on the latter's letter of intent. He assured us once more that the USA Government was well aware of the Canadian position and that a decision to offer military aid would not be taken lightly. He also reaffirmed that no offer had been made so far to the Argentinians. Once again we asked Margrave whether the Argentinians had any knowledge that such an offer was under consideration. He said that he did not know; the USA Military Mission in Argentina might have hinted to the Argentinians that such an offer might be made. His own guess was that no such hint had been made but he could not be sure before receipt of a report from the mission. This he expects to receive shortly. He readily agreed with us that if such a hint were dropped the danger of the Argentinians having second thought would be increased.

15. As for the date on which the USA Government decision would be made known to us, Margrave said he could make no definite promise but would probably be in a position to inform us of their position in the course of next week.

[A.D.P.] HEENEY

776. DEA/12001-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 2181 Washington, November 29, 1956

SECRET. IMMEDIATE.
Reference: Our telegram 2139 November 23.

PROPOSED SALE OF F86'S TO ARGENTINA

Margrave of the OMC called this afternoon to give us the following information. A USA offer of reconditioned F86's to Argentina is now out of the question and the State Department will raise no objections to Canadair's sale "on an unclassified basis," i.e., they understand the aircrafts exported to Argentina would be stripped of firing devices subject to security restrictions. We have arranged to meet Margrave on December 4 for a more detailed story.

[A.D.P.] HEENEY

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777. DEA/12001-40

L'ambassadeur en Argentine
au secrétaire d'État aux Affaires extérieures

Ambassador in Argentina
to Secretary of State for External Affairs

TELEGRAM 1 Buenos Aires, January 3, 1957

CONFIDENTIAL. IMPORTANT.
Reference: My Despatch 548 November 29/56.†

SABRE JETS

Final negotiations on purchasing Canadair Sabre jets by Argentine Air Force were unexpectedly suspended when mission which was about to leave on December 22 received counter orders. I gather from non official sources that Treasury Minister refused to grant Air Minister the necessary funds from Central Bank on December 28 under pressure from Navy to secure credit for purchase from USA of 20 second hand planes and an aircraft carrier to match one acquired last week by Brazil. It was announced yesterday that negotiations were being carried on with USA to buy second hand Panther jet planes at 30000 dollars each cash, plus cost of delivery and reconditioning. Delay seems to be caused by interservice rivalry, but there is yet a chance that a compromise between naval and air force can be arrived at. I understand Air Minister still hopes to salvage at least part of Canadair deal.

[L.P.] PICARD

2e PARTIE/PART 2

HONDURAS

778. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 119-56 Ottawa, May 23, 1956

CONFIDENTIAL

APPROVAL OF PROPOSED COMMERCIAL MODUS VIVENDI WITH HONDURAS

1. The purpose of this Memorandum is to review for the consideration of Cabinet negotiations that have just been concluded between Canada and Honduras for the exchange of most-favoured-nation treatment.

2. *Background*—Since June 1955 trade agreement negotiations have proceeded in Honduras between the Canadian Government Trade Commissioner and a Special Commission appointed for that purpose by the Government of Honduras. These negotiations represent the third occasion since the Second World War on which Canada has endeavoured to conclude a trade agreement with Honduras. At present Honduras is the only Latin American country with which Canada does not exchange most-favoured-nation treatment.

In February 1946, the Honourable James A. McKinnon, then Minister of Trade and Commerce visited Honduras and the two countries agreed to negotiate a commercial modus vivendi. However it was subsequently decided to postpone such an agreement until both countries had been able to review the situation in the light of the GATT discussions then pending.

Early in 1950 the Canadian Government made arrangements for the visit to Honduras of a Canadian delegation which was empowered to sign a commercial modus vivendi with Honduras.[6] However, Honduras was not willing to extend full most-favoured-nation treatment to Canada since, until recently, Honduran policy was to grant reduced rates only to the United States.

During the present negotiations Honduras at first proposed to exempt from most-favoured-nation treatment certain luxury items (e.g. cars, shirts, toiletries) on which they had granted reductions to the United States. However, the Canadian representatives maintained that we were not prepared to agree to any limitation on most-favoured-nation treatment because of the implications and principles involved. Agreement has now been reached between the Canadian representative and the Honduran Government for the exchange of full most-favoured-nation treatment between the two countries. The text of the proposed agreement is attached. This is similar to existing agreements with several other Latin American countries.

3. *Results*—The effect of an exchange of most-favoured-nation treatment with Honduras will be to place Canadian exporters of wheat flour, upper leather, rubber tires, sardines and some other products on an equal footing with the United States who at present enjoy a

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[6] Voir/See Volume 16, Document 1059.

marked advantage through lower rates of duty. (The new Honduran tariff of April, 1955 has further increased this disparity.) Honduras would benefit in the Canadian market principally through the extension of more favourable tariff treatment for bananas and coffee.

The trade between the two countries is small. In 1954-55 Canada's exports to Honduras averaged half a million dollars, and imports from Honduras were approximately two million dollars annually. Principal Canadian exports in recent years have been upper leather, rubber tires, powdered and condensed milk, while imports from Honduras have consisted almost entirely of bananas (90 per cent of total imports), and grapefruit, Honduras has trade agreement relations only with the United States to which it has reduced duties on certain products. While the tariff preference enjoyed exclusively by the United States has restricted and, in some cases, excluded Canadian sales, the volume of U.S. exports indicates that a worthwhile market exists for a number of these products. Honduras is, moreover, a completely open dollar market with no import or exchange restrictions.

4. *Recommendations*

I recommend, with the concurrence of the Ministers of Trade and Commerce and Finance

(a) that Cabinet approve the trade agreement between Canada and Honduras which has now been negotiated, and

(b) that Mr. Harry A. Scott, Canadian Ambassador to Cuba be authorized to sign this agreement on behalf of Canada in Tegucigalpa, Honduras.[7]

L.B. PEARSON

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[7] Approuvé par le Cabinet le 6 juin 1956. Pour le texte du modus vivendi, voir Canada, *Recueil de traités*, nº 10.
Approved by Cabinet on June 6, 1956. For the text of the modus vivendi, see Canada, *Treaty Series*, 1956, No. 10.

CHAPITRE VI/CHAPTER VI

AFRIQUE DU NORD : TUNISIE ET MAROC
NORTH AFRICA: TUNISIA AND MOROCCO

779. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 130-56 Ottawa, June 11, 1956

SECRET

RECOGNITION OF THE INDEPENDENCE OF TUNISIA AND MOROCCO

In Protocols of March 2 and 20 respectively, the French Government recognized the independence of Morocco and Tunisia. As foreseen in the terms of the Protocols, negotiations are currently proceeding to define what the French Government has referred to as the future status of "interdependence" between both countries and France, "particularly in matters of defence and foreign relations." The French and Moroccans have already signed a diplomatic convention which is now in force, and negotiations are now being held on a Franco-Tunisian diplomatic convention. The French Parliament will shortly be called upon to ratify the Protocols granting independence, although the texts of the Protocols do not specify that the independence of Tunisia and Morocco is in any way conditional upon either French ratification or the conclusion of conventions on interdependence. France has therefore recognized these two countries *de jure* and hopes other friendly countries will do likewise.

The United States and the United Kingdom were anxious for political reasons to give formal recognition to Tunisia and Morocco as soon as possible. They wished to establish their diplomatic missions in Rabat and Tunis before the missions of the Arab League or the Soviet bloc. The United Kingdom Government recognized both countries *de jure* on May 10. It will shortly open a diplomatic mission in Morocco and will establish one in Tunisia after the French and Tunisians have reached agreement on a diplomatic convention. The United States has also recognized *de jure*; it is expected to name very soon its Ambassador to Morocco and will exchange diplomatic missions with Tunisia as soon as appropriate.

Twelve other governments have recognized *de jure* including Italy, Spain, Switzerland, Portugal, most of the Arab states, both Chinese Governments and Indonesia. *De facto* recognition has been accorded by nine countries including the U.S.S.R. and the satellites, India, Turkey, Ethiopia and Saudi Arabia.

The question of Canadian recognition of Tunisia and Morocco has been raised informally by our Embassy in Paris with the French authorities. The Embassy has been informed that the French Government has no objection to friendly countries granting *de jure* recognition to either Tunisia or Morocco.

I think it is desirable that as many countries of the West as possible should welcome the emergence of Tunisia and Morocco to independent status. Although we have no present intention of establishing diplomatic missions. I consider that Canadian recognition of the two new states would be appreciated by them and would help in attaining the worthwhile object of keeping them in friendly and close relations with western countries. Both countries are sensitive about their status and the earlier Canada can recognize, the more credit we are likely to get — especially if we act before the United States and the United Kingdom establish diplomatic missions in the near future.

I therefore recommend that the Cabinet approve that congratulatory messages should be sent to the Prime Ministers of Morocco and Tunisia. These messages would constitute *de jure* recognition by Canada.

I also recommend that the Cabinet approve that a congratulatory message should be sent to the Premier of France whose Government has, in spite of domestic political difficulties, shown a great deal of courage in concluding the arrangements for recognizing the independence of Tunisia and Morocco.[1]

L.B. PEARSON

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780. DEA/50378-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], August 15, 1956

IMMIGRATION FROM NORTH AFRICA AND CANADA'S RELATIONS WITH NORTH AFRICA

Over the last six months the Department of Citizenship and Immigration has received an increasing number of enquiries from prospective immigrants in North Africa. In March Mr. Brunet, the officer in charge of the Canadian Immigration office in Paris, was asked by his Department to make a survey to Tunisia and Morocco but this was postponed since the French authorities took no action to grant permission for Mr. Brunet's trip and since our Embassy considered that it would not be advisable to make a formal approach to the French until the situation in Algeria had improved. Meanwhile the Department of Citizenship and Immigration had reluctantly decided to deal with accumulated correspondence from French settlers in North Africa in routine fashion from Paris.

2. However, in a letter to me of July 24†, copy attached, Mr. Fortier has now asked that the appropriate authorities in Morocco and Tunisia be approached in order to obtain permission for an immigration team to visit those countries and examine potential immigrants for Canada. Mr. Fortier would also like us to ask the French Government for permission

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[1] Le 14 juin 1956, le Cabinet a accepté de reconnaître *de jure* la Tunisie et le Maroc « it being understood that further consideration would be given to the manner by which this would be extended. » Le premier ministre a envoyé des télégrammes de félicitations le 19 juin 1956. Les télégrammes sont reproduits dans Canada, ministère des Affaires extérieures, *Affaires extérieures*, vol. 8, nº 7, juillet 1956, p. 186.

On 14 June 1956 Cabinet agreed to recognize *de jure* Tunisia and Morocco "it being understood that further consideration would be given to the manner by which this would be extended." Congratulatory telegrams were sent by the Prime Minister on 19 June 1956 and reprinted in Canada, Department of External Affairs, *External Affairs*, Vol. 8, No. 7, July 1956, p. 178.

for an immigration team to visit Algeria. He has pointed out that Citizenship and Immigration had received about 6,000 applications from persons residing in North Africa who wish to come to Canada as immigrants (3,058 in Morocco, 2,206 in Algeria and 693 in Tunisia). Most of them are farmers, professional men and industrialists — highly desirable people from Immigration's point of view. The existing arrangements for processing applications are totally inadequate and only a trickle of immigrants are coming forward. If we cannot send an immigration team to North Africa, Mr. Fortier has suggested that consular offices might be established, staffed by persons qualified to deal with immigration cases.

3. This request raises very delicate political questions which affect the whole field of our relations with France and the emerging states of North Africa. It is in that general context that I think it can best be approached.

4. Although Canada undoubtedly has both potential immigration and trade interests in North Africa, our overriding interest in the area is that it should remain friendly to the West and should not fall a prey to governments motivated by extreme Arab nationalism of the Nasser stripe. While we would hope for a liberal solution in Algeria which would satisfactorily accommodate the interests of both the French and the Moslem communities, we can at present take into account only our relations with Tunisia and Morocco. In view of the very deep roots which France still has in Tunisia and Morocco in spite of the present shadow cast by the Algerian military operations, I take it that one of our first aims should be to do everything within our power to encourage a close and continuing relationship between France and her former territories.

5. To send a Canadian immigration team to Tunisia and Morocco in order to facilitate the emigration of Frenchmen but not of native Tunisians and Moroccans would, I believe, be an unfortunate opening gambit in our relations with these two countries.[2] It would be resented both by the French Government and by the Moroccan and Tunisian Governments. The French Government would feel we were interfering with French citizens in a delicate situation in which French policy is endeavouring to maintain a real "interdependence" based on the presence of substantial French communities and French economic interests in both Morocco and Tunisia. For their part, the Moroccan and Tunisian Governments could hardly overlook the obvious discrimination against the non-French portions of their population.

6. To make an official request for a Canadian immigration team to visit Algeria in present circumstances would, in my opinion, be inviting an awkward rebuff.[3] We know that the French Minister Resident recommended against it in April. Now that the French Government are about to try to introduce reforms which will be resented and may be resisted by the colons, our Embassy in Paris also feels (their telegram No. 553 of August 1†, attached) that we should defer any action which might make the French Government's task in Algeria more difficult.

7. We might, however, be able to meet Col. Fortier's request in another way which would not only be more acceptable to the local authorities but would give us first-hand material we badly need in considering future Canadian relations with the area. I wonder if we might not plan to send to North Africa this fall a three-man team headed by a senior member of our service, accompanied by representatives of the Department of Trade and Commerce and the Department of Citizenship and Immigration. The primary purpose of this team

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[2] Note marginale :/Marginal note:
I agree [L.B. Pearson]

[3] Note marginale :/Marginal note:
Yes [L.B. Pearson]

would be to explore directly with the Moroccan and Tunisian Governments the whole range of Canada's future relations with these new countries.[4] The visit would be exploratory and could in no sense make commitments on behalf of the Canadian Government to consider in due course the possibility of establishing in the area a Canadian diplomatic mission to which Trade and Immigration officers might be attached. In addition to Tunisia and Morocco, a visiting team could easily go on to Libya as well. Although Libya's stability and Western orientation may be uncomfortably dependent on its present king, I think if we do send a visiting team to the area we should include Libya on the itinerary.[5]

8. I am reasonably certain that such an exploratory mission should not attempt to visit Algeria in present circumstances,[6] though we might consider it later if the French make progress both towards the pacification of the area and a political solution. In any case, if you approve of the idea of an exploratory mission this fall, and we secure the cooperation of the other departments concerned, I think we should discuss the whole project with the French Government before raising it with the Tunisians and Moroccans, probably through their Missions in Paris with whom our Embassy has already established contact.[7] There would then be opportunities for sounding out the French informally as to whether they thought the time was ripe for a visit to Algeria by Canadian officials.

9. Apart from providing us with a more acceptable way of giving some satisfaction to the Department of Citizenship and Immigration, a visiting team such as I have suggested would, I think, be useful to us in (a) exploring the possible location and type of mission which might best serve to develop Canadian interests in the area, within the limits of our capabilities; and (b) establishing our first direct contacts with senior officials of the Moroccan and Tunisian Governments and securing for ourselves an assessment which has not been to some extent filtered in advance by the French.[8]

10. For several years we have, it is true, received many excellent reports, chiefly from United Kingdom Missions and from the officers of our Embassy in Paris who from time to time visited North Africa. It was nevertheless inevitable that they should be largely dependent upon their French hosts for making contacts with the local population and in particular with the emerging nationalist leaders. While our delegation in New York had some sporadic contacts with these leaders during recent years, when the Moroccan and Tunisian questions were before the United Nations, it remains very difficult for us to assess intelligently, on the basis largely of indirect evidence and opinion, what the future orientation of Tunisia, Morocco and Libya is likely to be. As we have suggested in a previous paper,† all three of these new countries might fairly rapidly gravitate towards Cairo if the Algerian war continues. It is of the utmost importance that Western countries with interests in the area — and this includes Canada — should do what they can, both in North Africa and in Paris, to prevent the present strong economic, defence and political ties between North Africa and Western Europe from being eroded by Arab nationalism.

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[4] Note marginale :/Marginal note:
OK [L.B. Pearson]

[5] Note marginale :/Marginal note:
Yes [L.B. Pearson]

[6] Note marginale :/Marginal note:
I agree [L.B. Pearson]

[7] Note marginale :/Marginal note:
Yes [L.B. Pearson]

[8] Note marginale :/Marginal note:
OK [L.B. Pearson]

11. As for where an eventual mission might be located, and what type of mission would be best suited to our requirements and to local conditions, we can offer only one or two suggestions which might be in the minds of any visiting team of Canadian officials you might decide to send to the area. In the first place, I take it for granted that consulates headed by immigration officers are out of the question and that you have in mind one Mission[9] accredited to all three countries (Morocco, Tunisia and Libya). I also assume that we should not try to open a Consulate in Algeria before we have established some kind of Mission in Rabat or Tunis; in the eyes of the North Africans we are sufficiently identified with the French already. From the point of view of geographical convenience and also because the Tunisians are the most sophisticated and generally Western in outlook, Tunis might be considered as the most appropriate place; but there can be little doubt that our Canadian interests, from the point of view of trade and defence especially, are stronger in Morocco. Meanwhile, our Embassy in Paris have reported that in the opinion of the Quai d'Orsay the Tunisians and Moroccans would have no objection to countries which could not be separately represented in both countries accrediting a single Mission to them both and to Libya as well.

12. I would also hesitate to make any firm recommendation as to what type of mission would be most appropriate. It should, I think be headed by a member of our Service and should include Trade and Immigration officers. The Mission would presumably for some time have to be headed by a Chargé d'Affaires. Having in mind our general experience with double accreditations, there would be much to be said for having the Chargé d'Affaires on his own — as in Warsaw and Prague. We would then avoid the awkward question of which of our European Heads of Mission might be the absentee Ambassador or Minister. Paris, Madrid and Rome would each have their separate disadvantages; we already know that the French were upset by the recent suggestion that the Swedish Ambassador in Rome should be accredited also in Rabat and Tunis. If it were decided to adopt the dual accreditation procedure, however, I should think that we might consider the Head of one of our smaller posts, such as Berne,[10] being given this additional assignment.

13. As for when a new Canadian Mission in North Africa might be opened, I would again hesitate to make any recommendation. I would not suggest that Rabat or Tunis should have priority over Canadian Missions planned for the Philippines, Burma or Iran,[11] though I am inclined to think that North Africa is more important to Canada than the other countries I have mentioned and might be useful not only for Canadian but for NATO and other Western interests as well. This too, however, might be easier to determine in the light of the report of a Canadian exploratory team such as I had recommended. In any case, we will be able to use our Paris and United Nations contacts to keep in direct touch with the Tunisians and Moroccans until we can open a Mission in the area.

14. In the meantime, I understand that the Department of Citizenship and Immigration would not press us for a visiting immigration team or for the opening of consulates in North Africa if we planned to include one of their officials on such an exploratory team, for neither the prospective French or Jewish emigrants from Tunisia and Morocco appear to be in any immediate danger. We have, as you know, been approached by Mr. Saul

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[9] Note marginale :/Marginal note:
either that or our Egyptian or Swiss Amb[assador] accredited to Libya & Tunisia & our Portuguese to Morocco [L.B. Pearson]

[10] Note marginale :/Marginal note:
Egypt or Portugal [L.B. Pearson]

[11] Note marginale :/Marginal note:
no [L.B. Pearson]

Hayes, the Executive Director of the Canadian Jewish Congress, regarding the possibility of about 200 Jews from North Africa emigrating to Canada. However the Cadima, the Jewish organization assisting the emigration of Jews from Morocco, has recently run into serious trouble with the Moroccan Government which does not wish to see its residents emigrate from Morocco, particularly if they happen to wish to go to Israel. Mr. Hayes has therefore told us that the Canadian Jewish Congress has decided it would be inopportune to pursue the matter further for the time being. Presumably they would not hesitate to press the matter if they thought that Jews in North Africa were in immediate danger of persecution. If you agree, therefore, I suggest that we should let this matter rest until either the Canadian Jewish Congress raises it with us again or we have evidence of an urgent humanitarian need for Jews to emigrate from North Africa.[12] If necessary I think we could then handle those who wish to come to Canada expeditiously and with a minimum of formality.

15. I should be grateful for your guidance so that I may reply to Col. Fortier. In any case you may wish to discuss this whole question with the Minister of Citizenship and Immigration.

16. So that preparatory studies of trade possibilities could be set in hand, we should want to give the Department of Trade and Commerce adequate notice of our proposal. In the Department, we would also want to give some advance thought to the possibilities for cultural and educational interchange with French-speaking North Africa, in addition to the political and defence aspects we have reviewed in earlier papers.

17. Although it is not directly related to the subject of this Memorandum, I think you will be interested in the attached article from *La Presse*,† of June 23, welcoming the Prime Minister's congratulatory telegrams recognizing Tunisia and Morocco, and looking forward to the day when Canada would be exchanging diplomatic Missions and developing economic and cultural relations with these new countries.[13]

J. L[ÉGER]

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781. DEA/50378-40

L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures

Ambassador in France
to Secretary of State for External Affairs

TELEGRAM 638 Paris, September 11, 1956

CONFIDENTIAL

Reference: Your SS148 Sep 6.†
Repeat for Information London and Washington.
By Bag Cairo from London and Madrid, Rome, Lisbon from Ottawa.

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[12] Note marginale :/Marginal note:
yes [L.B. Pearson]

[13] Note marginale :/Marginal note:
I think that we might proceed as outlined above without any commitment as to the exact time for establishing dip[omatic] rep[resentation] with the North African countries or the exact form which such rep[resentation] should take. L.B. P[earson]

EXPLORATORY CANADIAN MISSION TO NORTH AFRICA

We had a full discussion of this proposal yesterday with Basdevant, Director General of Moroccan and Tunisian Affairs at the Quai. He greeted it with warm enthusiasm and said that he appreciated particularly the thoughtfulness of the Canadian Government in informing the French of their plan in advance. He then immediately went on to say that he expected we were planning to inform the Moroccans and Tunisians ourselves, and he considered this to be particularly desirable in view of what he described as their excessive sensitivity.

2. He made no observations about the intended composition of the delegation, nor on the implications of the presence of a representative of the Department of Immigration. He likewise had no particular views to offer on the possibility that the mission might visit Libya. He nevertheless left the impression that the French did not consider this to be of much importance and it seemed to be his view that the team could leave out Libya without causing offence. On the other hand, it would of course be for Canada to decide whether there would be advantages in developing relations there.

3. As to the eventual exchange of diplomatic missions with Morocco and Tunisia, he said that in his opinion it would be absolutely necessary to treat the two countries equally. He therefore counselled strongly against a plan to have only one office in the area, because in whichever country it was located the other would be offended. Mr. Pineau had made the same point very definitely in conversation at the Embassy last week. Basdevant went on to review the advantages of choosing the Ambassador in Paris to be the Head of the Mission to the two countries until independent Heads of Mission could be appointed. We did not raise this point with him but he went over the usual French arguments in detail and said again that in the French view such an arrangement would be acceptable to both the Tunisians and the Moroccans. He thought that the choice of the Ambassador in Lisbon for Morocco would be rather artificial and in some ways impractical. He was, of course, careful to say that this was naturally something for the Canadian Government to decide, although the French would hope that their susceptibilities about the appointment of the Ambassador in Madrid to Morocco and in Rome to Tunisia would be taken into account when the decision was made.

4. Although Algerian affairs are not the responsibility of the Quai, we drew his attention to the fact that Algeria was not mentioned in the proposed itinerary.

5. He said that the French Embassies in Tunis and Rabat would wish to put themselves "officieusement" in touch with the Mission and would of course be prepared to give assistance wherever they could, while recognizing that the Mission's main contacts would naturally be directly with the Moroccan and Tunisian authorities. He hoped that we would inform him when plans were made so that he could tell the two French embassies.

6. Basdevant's reaction was clearly most favourable and he raised no question about the proposed timing of the visit. In these circumstances we hope that you will be able to go ahead with the plans and instruct us as soon as possible to talk them over with the Tunisian and Moroccan Missions in Paris. Before we do so, however, we hope you will be able to give us a fuller picture of just what the Mission will be doing and to give us some indication of the itinerary and interviews they will wish to arrange. We would also suggest that after the Tunisians and Moroccans have been informed, the plans be discussed with UK and USA officials, as their representatives in the area will no doubt be able and willing to give assistance. Both Embassies here have had some responsibility in Tunisia and Morocco and their officials in Paris may therefore still be in a position to help.

7. We are reporting separately on Basdevant's review of the present internal political situation in Tunisia and Morocco.

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782. DEA/50378-40

L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures

Ambassador in France
to Secretary of State for External Affairs

TELEGRAM 656 Paris, September 15, 1956

CONFIDENTIAL

Reference: Our tel 638 Sep 11.
Repeat for Information London.

INTERDEPARTMENTAL MISSION TO NORTH AFRICA: IMMIGRATION POLICY

Yesterday Daridan raised the question of Canadian immigration policy in North Africa, obviously as a result of the info we had given to the Quai about the proposed interdepartmental mission. He began by stressing the willingness of the French Government to assist the visits of Canadian officials and their confidence in our understanding of the French position. He also stressed that there was no intention on the part of the French to attempt to limit the emigration of French citizens who might wish to leave North Africa, and certainly none to dissuade them from going to Canada. This being said, however, Mr. Pineau had wanted him to express to us his hope that we would not at this time embark on an immigration campaign which would attract publicity which, in turn, the French would consider unhelpful to them in the particular period of the development of their relations in North Africa.

2. We assured him that French feelings on this matter were understood and were being taken into account, and explained that one of the factors which influenced the composition of the mission was the desire to avoid undue attention being attracted to our immigration interests. We said that we would, of course, pass on the Foreign Minister's views and felt confident that there was no present plan to embark on anything which would appear as an immigration campaign. On the other hand, Canada was anxious to assist the entry of qualified French immigrants and we therefore felt it necessary to study what might appropriately be done at this time. To indicate the Canadian understanding of the French problem we drew his attention to the fact that we had not suggested that the team should visit Algeria.

3. Daridan repeated his confidence in the Canadian handling of this question but said that his Minister had thought it well to let us know that since this question was last discussed the French still considered that an active immigration campaign in Morocco and Tunisia could raise some difficulties for them.

783. DEA/50378-40

Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures

Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], October 3, 1956

EXPLORATORY MISSION TO NORTH AFRICA

I think you should be forewarned that Mr. Harris may raise with you the possible financial implications of the Canadian exploratory mission which is to visit Morocco and Tunisia later this month. This morning at an inter-departmental meeting held to consider the brief for the mission, the representative of the Department of Finance, Mr. Hockin, expressed his Department's concern lest even the presence of an informal and exploratory Canadian mission should inspire the Moroccan and Tunisian Governments to request economic assistance from Canada in terms which might be embarrassing to refuse. He thought he should report to his Minister when the latter returns to Ottawa in a day or two.

2. We explained, as did the representatives of Trade and Commerce and Immigration, that the proposed mission had received the blessing of the three Ministers who appear to be most directly concerned, and that our primary purpose was to gather more information on a new and important area of great political and strategic importance to NATO and the West generally. Immigration were interested in clearing up between six and eight thousand applications from potential immigrants to Canada, and Trade and Commerce thought that if monetary and trade restrictions (which had tended to keep North African trade directed towards France) were removed there was a developing potential market for Canadian trade. We all stressed that absolutely no commitments of any kind would be made by members of the mission on economic aid or other subjects. This point is spelt out explicitly in the covering brief prepared for the mission. The wording of the economic aid paragraph had been cleared in advance with the Department of Finance to whom we have referred for information from the beginning copies of all papers on this subject.

3. We also made the point that although economic aid was quite likely to crop up as one of the topics of conversation in an informal mission of this kind, there would be no difficulty about parrying such inquiries and little likelihood of any such request being made officially, at least until a Canadian mission or missions had been established in the area. Cabinet would, of course, be asked to consider the question of diplomatic representation in the event that it was subsequently decided, partly as a result of the visiting mission's report, to recommend the establishment of diplomatic posts in the area. We had, therefore, supposed that the question of involving the Government in impossible requests for economic aid would be taken into account at that time rather than at the present stage of sending an exploratory mission of officials.

4. I am enclosing a copy of the introductory paper prepared for the brief for the exploratory mission outlining the reasons for sending the mission, and what we hoped it might accomplish. Detailed background papers† on particular subjects are also being included in the brief and no objection was raised at this morning's meeting of our presentation of the problem, apart from the query of the Department of Finance regarding hypothetical requests for economic aid.

5. As you know, the plans for the visiting mission have reached an advanced stage, permission having been granted by the Tunisian and Moroccan authorities with the warm

support of the French, and hotel and travel arrangements having been made. Mr. Beaulieu plans to leave Ottawa on October 10.

6. My impression is that the Department of Finance may be unduly concerned at the prospect of eventually being asked to provide some kind of economic aid for North Africa because of a passing reference, in a Departmental brief prepared for the last NATO Ministerial Council meeting, to the possibility of NATO or NATO members providing economic aid to former French territories in North Africa as a means of encouraging the maintenance of their Western orientation. On that point I am enclosing Mr. Taylor's letter of August 31† to me and my proposed reply.†

R.M. M[ACDONNELL]
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Document préliminaire

Introductory Paper

CONFIDENTIAL

BRIEF FOR VISITING MISSION TO NORTH AFRICA

Introduction

1. It is not surprising that the latest news from North Africa is of proposals for a North African Federation expected to emerge from discussions between Moroccan and Tunisian and Algerian leaders in Tunis towards the end of October. Already the Sultan of Morocco and Premier Bourguiba of Tunisia have been promoting a negotiated settlement of the Algerian war based on some formula for the independence of Algeria which would at the same time guarantee the rights and investments of the substantial French minority. Having set Tunisia and Morocco free, the French could not be expected to hold the populated coastal departments of Algeria much longer as part of metropolitan France. Although they have not yet unveiled their own pre-Assembly proposals for a negotiated settlement in Algeria, even Marshal Juin has acknowledged publicly that the old order in Algeria is also bound to change.

2. The question not only for France but for other Western countries as well is where today's changes will lead and how they can best be steered into channels which will work co-operatively with the West and not align themselves with Nasser's Pan Arab nationalism. For a violently anti-Western nationalistic movement stretching across North Africa from the Atlantic to the Persian Gulf would vitally affect NATO and Western interests in every sphere — political, economic and defence — cutting us off from the most direct links between Western Europe and the rest of Africa, and depriving us of a strategic position along the south shore of the Mediterranean which is not only necessary for defence but of great present and potential importance for the economy of Western Europe.

3. An area of such significance for NATO and Western Europe must also be important to the North American members of the Atlantic Alliance.

4. Yet, as far as Canada is concerned, we have had hardly any direct contact with the newly independent countries of Tunisia and Morocco. True, a few valuable reports have been received, chiefly from the Ambassador and members of our Embassy in Paris who have visited North Africa in past years; however their contacts have, of necessity, been

largely Frenchmen or pro-French Arabs, and our direct contacts with the new leaders of these countries have been confined to a few sporadic conversations with members of our Delegations to the General Assembly.

5. While the Algerian war and the Suez crisis continue, no Tunisian or Moroccan leader will be able to conclude the treaties of friendship and alliance which the French confidently expected would bind independent Tunisia and Morocco with close ties of "interdependence", particularly in terms of defence and foreign affairs, in return for the courageous political decision of the Mendès-France Government in setting Tunisia and Morocco loose as free nations. These interdependence conventions have not been negotiated and French forces remain in Morocco and Tunisia on sufferance. Thus the Western ties which other countries have or can establish are all the more important from the point of view of maintaining the generally Western orientation which the present leaders of Morocco and Tunisia would like to keep. For, though painfully aware of their financial and economic dependence on France, the moderate nationalist leaders in power in both Tunisia and Morocco have felt in no position to risk being accused by many of their compatriots of selling their birth-right — so recently recovered — for a mess of potage.

6. So far, satisfactory defence agreements have yet to be negotiated either by the French or by the Americans with the Moroccans and Tunisians. For all NATO countries, the maintenance of the United States Strategic Air Command bases in Morocco may well be a vital interest. The great French naval base of Bizerta in Tunisia is also of great strategic importance for control of the Western Mediterranean basin. These defence interests of the Western Alliance can be maintained in the long run only if North African political, economic and social ties with Paris and the West prove stronger than the pulls of religion, race, and tradition towards Cairo and the Arab League. This contest is by no means predetermined by the economic dependence of the area upon France. Indeed, Paris alone is, in our opinion, likely to lose the contest unless she has the courage to follow in Algeria the logic of her policies in Tunisia and Morocco, and unless she has the practical help — and not merely the moral support — of her principal Western partners.

7. Direct Canadian interests in the area, in terms of trade or defence, are small. Certainly wherever possible it will be in Canada's interests to strengthen (rather than supplant) these traditional ties with France; but since for the time being all possible Western influences may have to be exerted co-operatively in order to prevent a drift towards Cairo, Canada may have special opportunities as a partly French speaking country not under the political handicaps which for the present limit the usefulness of North African ties with France.

8. There are, then, two primary reasons for sending an exploratory Canadian mission to visit North Africa at this time. The first is to explore directly with the Moroccan and Tunisian Governments the whole range of Canada's future relations with these two countries which we recognized *de jure* on June 19 this year, and the methods by which Canadian interests can best be promoted. The second is to use these direct contacts to gather material on the basis of which to assess the probable future political orientation of these countries, the degree of internal stability, the general economic situation and trade prospects.

9. The visit is to be exploratory and should in no sense make commitments on behalf of the Canadian Government. At the same time the mission should be prepared to make recommendations in its final report regarding the type of representation in the area which would be best suited to advance Canadian interests. Although the question of eventual Canadian representation in the area is bound to arise in the discussions the mission will have with the Moroccans and Tunisians, the mission will have to explain that Canadian

representation cannot be expected to take precedence over prior commitments elsewhere. For this reason it will hardly be possible for the mission to discuss with the Moroccans and Tunisians the question of whether we should have one mission or two and which of our Ambassadors might be accredited, assuming the mission, or missions, were headed locally by Chargés.

10. Another delicate feature of the mission will be to convey our own feeling of friendship and sympathy with the French, and our hopes that French links with North Africa will be maintained, without appearing to be supporting a colonial era now past. The Moroccans and Tunisians are both proud and sensitive and their nationalism is all the more apparent because they have been in a position to manifest it (by means other than violence) for such a short time. The mission should not identify itself with the *colons* although some of them will be able to give useful information. It would even be advantageous to make the mission's contacts with French officials in Paris and in North Africa as inconspicuous as possible. The impression we wish to give the Moroccans and Tunisians is that of sympathy and understanding in their newly won position in the world. For we consider this attitude is the most likely to foster the Western ties which it is in our interests to preserve.

11. At the same time it is not in Canada's interests to do anything which might add to French difficulties in North Africa. In addition to about 1.4 million French in Algeria (9.5 million population) there are approximately 160,000 French people in Tunisia (3.8 million population) and close to 400,000 in Morocco (9.6 million population). But for the heavy French investment of past years, there would have been little economic development in either country; in recent years the inflow of French capital has almost offset the annual budgeting deficit, but the source of income is now — not unnaturally — drying up.

12. The activities of the mission in the field of immigration will have to be very carefully handled and should not attract any publicity. In the first place the Moroccans and Tunisians will be quick to resent any discrimination in favour of the European populations and are also bound to resent any mass exodus of those with the capital and technical experience on which the future development of their country must in present circumstances depend. In the second place, the French Government are equally reluctant to diminish *la présence française* by encouraging French emigration from North Africa since they count on this element of the population to maintain the economic ties with France and the Western orientation of Tunisia and Morocco on which their future association with North Africa must depend.

13. It is likely that the possibility of economic assistance from Canada will be raised by Tunisian and Moroccan officials who are anxious to reduce their dependence on France for economic aid. In response to enquiries on this subject members of the mission could point out that the United Nations has an experienced practical organization for technical assistance and Canada is very willing to consider applications through the United Nations for Canadian experts or for the training of Tunisians or Moroccans in Canada. If questions are asked concerning the possibility of direct economic aid from Canada the mission should be absolutely non-committal and should inform us of any such requests on their return.

6. The mission should also be aware of the possibilities of cultural and educational opportunities in Canada for French-speaking people from North Africa, bearing in mind that there is a great need for trained technicians both in Tunisia and Morocco and that those who are reluctant for political reasons to pursue studies in France might wish to avail themselves of education opportunities in Quebec (at their own expense).

7. The attached papers† contain political, economic and military material for the background information of the mission.

784. DEA/50378-40

Note pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum for Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], December 14, 1956

SUMMARY OF THE PRELIMINARY REPORT OF THE CANADIAN MISSION TO MOROCCO AND TUNISIA

I am attaching a summary of Mr. Beaulieu's preliminary report on the findings of the Canadian Mission to Morocco and Tunisia. He has suggested that until his report has been cleared with Mr. Campbell Smith of the Department of Trade and Commerce and Mr. Brunet of the Department of Citizenship and Immigration, both of whom accompanied him on the Mission, the report should be given only limited circulation.

I have consulted Mr. George of European Division about sections of the report which you might not wish to mention to the French Ambassador. Since these sections were very short I have not included them in the attached summary. The expurgated passages deal mainly with the relations of Tunisia and Morocco with France. It may be useful if I give their gist in this covering memorandum.

> Mr. Beaulieu mentioned that the arrest of the five Algerian leaders had struck a very severe blow to French prestige in that area and that it had, for the time being, destroyed the trust of Tunisia and Morocco in the French Government.
>
> The presence of the French Army, which is regarded by the Tunisian and Moroccan Governments somewhat as an army of occupation, gives rise to a very difficult problem. On the one hand the French claim that these forces are necessary to protect the interests and lives of the European population, an argument which the recent events in Meknes would tend to confirm; on the other hand the Moroccan and Tunisian Government's believe — and the Mission gave this some credence — that they themselves could ensure internal security if only French troop movements were not inciting villagers to hostile acts.

In connection with the role which Canada might play in the area, Mr. Beaulieu also mentioned that because we have no colonialist objectives we might be useful as mediators in eventual discussions on the future status of the foreign military bases in Morocco and Tunisia.

R.W. M[URRAY]

[PIÈCE JOINTE/ENCLOSURE]

Rapport préliminaire

Preliminary Report

CONFIDENTIAL [Ottawa], December 14, 1956

SUMMARY OF THE PRELIMINARY REPORT OF THE CANADIAN MISSION TO MOROCCO AND TUNISIA

The Canadian Mission to Morocco and Tunisia was headed by Mr. Paul Beaulieu of this Department. Mr. Campbell Smith represented the Department of Trade and Commerce and Mr. Brunet, the Department of Citizenship and Immigration.

1. *General Impressions*

The Mission was given a warm welcome by the Moroccan and Tunisian Governments who were gratified that Canada, by sending a Mission, was giving some practical recognition to their new independence. Notwithstanding the tense internal situation in the two countries, especially after the spectacular arrest of the five Algerian leaders which made contacts with the local authorities and frank discussions of delicate problems difficult, it was considered the Mission was, on the whole, useful and successful. Its task was greatly facilitated by United Kingdom, United States and, above all, French Missions in the area.

2. *Internal Situation*

Both countries were fortunate that when granted their independence they had leaders of a stature to take over from the French. The Sultan of Morocco and Mr. Bourguiba are generally regarded as restraining extremist factions in their countries and as staunch supporters of the West. Most of the Ministers, particularly those in Morocco, made a very favorable impression. They were well aware of the difficult task, particularly in the economic field, which faces their Governments and they are seriously endeavoring to tackle the most urgent and basic problems. However, their whole thinking is primarily dominated by political considerations and one feels that sometimes difficulties with the French authorities are exploited to distract attention from unsolved internal problems. A disquieting aspect of the political life in both countries is the strong tendency to one-party rule. This carries over into the administrative field where appointments are too often based upon political affiliations. The Mission was, nevertheless, impressed by the intelligence and sense of responsibility of the administrators who are undertaking a difficult task in assuming responsibility from the French who formerly had 30,000 civil servants in Morocco alone. The present policy is to keep as many French technicians as possible in the capacity of advisors. However, there is strong pressure on the Government from ambitious young men who have in the past been denied access by the French to posts of responsibility. This internal situation is greatly influenced by international considerations; the whole policy of both Governments is conditioned by the Algerian problem and the recent turn of events in Egypt. The French handling of these problems has been used by critics as proof that it has not abandoned its colonial aims in Morocco and Tunisia.

3. *Relations with France*

Unlike most newly autonomous countries, Morocco and Tunisia have not exhibited a hypersensitivity about their sovereignty and instead appear very conscious of the importance of maintaining close intellectual, political and economic ties with France. Neverthe-less, the arrest of the Algerian leaders definitely wounded the pride of the Moroccans and Tunisians. It is clear that the first step towards improving relations is to restore the climate of mutual confidence. The decision of the French Government to send Mr. Seydoux and Mr. Basdevant on special missions with extraordinary powers is a move in the right direction. It is essential that the French authorities in Paris realize that the granting of independence has created a new situation and that they no longer enjoy their old privileged status in the former protectorates.

Both Governments agree that certain foreign forces are required to meet the possible threats from outside their borders, but they wish to see a new type of relationship established between their own army and those foreign forces, possibly within the framework of some regional defence organization. Their good faith has been shown in the moderate attitude they have maintained with regard to foreign bases such as the U.S. air base in Morocco and the French naval base at Bizerte. The French have agreed to re-negotiate the defence agreements and it is hoped that they will be able to meet, to some extent, the Moroccan and Tunisian viewpoint.

4. *Relations with the U.S.*

The U.S. authorities have shown increased interest in these two countries since their independence, mainly because of the presence of vital U.S. bases (SAC) in Morocco, and of the strategic importance of Tunisia. They recognize, however, the anomaly of their position since they hold these bases by agreement with the French, not with the local governments. American diplomats on the spot favor a policy of economic aid to the two countries, a policy discounted by the U.S. Embassy in Paris. There are indications that the Moroccan Government would accept financial assistance in the form of payments for the use of U.S. bases.

5. *Orientation of Policy*

The Ministers met by the Mission stressed the fact that the future of their countries was linked with the West, not only because of intellectual ties, but also because the West could assure the development of their countries in an atmosphere of freedom. Communism, even within the trade unions, is negligible but could mushroom if the internal situation were to deteriorate. The present leaders have little sympathy for Nasser because of his dictatorial position and his truculence towards certain Western powers. The Arab League is not highly regarded because it has not achieved any worthwhile purpose. There is a possibility, however, of the evolution of a North African federation which would include Algeria; this is a project favored by Mr. Bourguiba. If the friendship and the independence of this region is to be strengthened it is essential that the West undertake a more active policy of economic assistance; this is a burden which France may not be willing to bear alone indefinitely, especially in view of the avowed policy of Morocco and Tunisia to work for the independence of Algeria.

6. *Immigration*

(This section of the report is to be revised by Mr. Brunet).

In all conversations reference was made to the future of French colons and fonctionnaires. Both Governments, but especially the Moroccan, are anxious to keep qualified technicians and wish to avoid the unfavorable impression a massive emigration would create. It would not appear indicated to send immigration teams. On the other hand, local French officials realize the urgent need to meet numerous demands of Frenchmen for repatriation. Reportedly authorities in Paris are now contemplating financial assistance to such repatriates. As concerns Frenchmen wishing to emigrate to Canada, our Immigration Office in Paris is considering what administrative relief could be given to the British offices in North Africa.

7. *Trade*

(This section of the report is to be completed by Mr. Campbell Smith).

Local authorities are anxious to increase exports in order to balance trade but in view of the limited range of competitive commodities they could offer to Canada, our Mission was unable to give much encouragement to them. To build strong, stabilized national economies, production and agriculture in each of the two countries will have to be diversified and large areas of land will have to be reclaimed to meet the needs of the agrarian population. They expressed more interest in increased private investment in their countries rather than economic aid. Both Governments are convinced that their countries should remain in the "zone franc" although they would like some arrangement whereby they could better protect local industries. (Other reports have indicated that Tunisian authorities are under the impression that a request was made for economic assistance from Canada).

8. *Diplomatic Relations*

Canadian diplomatic Missions would be welcome in the two countries but both would find it difficult at present to make personnel available for posting to Canada. The Tunisians mentioned the possibility of dual accreditation of their Ambassador in Washington. Our Mission did not consider that priority should be given to the opening of Missions in Tunisia and Morocco. It felt, however, that Canada could play a useful role in Morocco and Tunisia. Our own evolution within the Commonwealth serves as an example and our initiative in the establishing of a U.N. force for Egypt has made a favorable impression. Our agricultural experts could advise on reclamation projects; Moroccan and Tunisian students could pursue advanced studies in French-Canadian universities.

9. *Conclusions*

Tunisia and Morocco will require moral and economic support from the West if they are to maintain their orientation towards us. France is in the best position to assist the two countries and to encourage them in their orientation to the West. The differences of policy which at present separate France and the two North African countries may, if they go unresolved, lead to a deterioration in this relationship. In that event it will be difficult for the French Government to continue to bear the full burden of financial assistance to that region. We should, therefore, plan with a view to relieving France of part of her burden thus checking any communist initiative to take over France's role in this area. A stand must be taken now if the West wants to counteract the Egyptians in their efforts to win these two new states and if we wish to prevent the infiltration of communism.

CHAPITRE VII/CHAPTER VII

ÉNERGIE ATOMIQUE
ATOMIC ENERGY

PREMIÈRE PARTIE/PART 1

EXPORTATIONS D'URANIUM AUX ÉTATS-UNIS ET AU ROYAUME-UNI
EXPORT OF URANIUM TO THE UNITED STATES AND THE UNITED KINGDOM

785. C.D.H./Vol. 9

Le président d'Eldorado Mining and Refining Limited
au ministre du Commerce

President, Eldorado Mining and Refining Limited
to Minister of Trade and Commerce

SECRET

Ottawa, January 16, 1956

Dear Mr. Howe,

This letter will confirm our discussion of recent date regarding the following items:

(a) *Amendment of Beaverlodge Contract*

You will recall that the contract covering Beaverlodge production signed in December, 1953, provided for payment as follows:

(1) For actual costs of production for the period up to August 31st, 1955, these costs to include direct mine costs, administration and Head Office charges.

(2) A fixed allowance for amortization of $4.25 per pound of uranium produced.

(3) A fixed rate of profit of $1.50 per pound of uranium produced.

The contract provided further that on the completion of the cost period a fixed price would be negotiated, which price would take into account cost experience during the cost period and estimated costs for the balance of the contract. The contract also provided that Eldorado would make every effort to expand production and for this purpose would carry out an intensive exploration and underground development programme. As a result of this programme, the ore reserves were increased to the point where it was possible to plan an increase in production from the initial rate of 500 tons per day to a rate of 2,000 tons per day. The proposed expansion was discussed with the United States Atomic Energy Commission in June, 1955. The Commission expressed its wish that Eldorado should proceed with the expansion and undertook to purchase the increased production. This undertaking was contained in a Letter of Intent received from Jesse Johnson, Director of the Division of Raw Materials, under date of July 28th, 1955, a copy of which I sent to you under date of August 3rd, 1955.

It was not possible in June, 1955, to negotiate a firm price for the increased production, since at that time estimates of the necessary preproduction and capital expenditures were not available. It was agreed, therefore, that the price would be negotiated later in the year but that the price would not exceed $10.50 per pound. As I explained to you in my letter of

August 3rd, 1955, we were satisfied that a ceiling of $10.50 per pound would give us plenty of leeway.

In December last we began negotiations on the amended contract. We took the position that Eldorado should be entitled to the price which would result from the application of the special price formula which is being used in connection with the purchase of uranium from private producers. On this basis the price would be $10.50 per pound. The Commission argued that credit should be allowed for the fact that the Commission had shared to some extent in the risks involved in the early stages of the project and a price of $9.50 per pound was proposed. After considerable discussion, it was agreed to split the difference and to write the contract at a price of $10.00 per pound, f.o.b. Beaverlodge. At the completion of the cost period — that is, at August 31st, 1955 — Eldorado had delivered 1,962,292 pounds. It is estimated that 14,865,175 pounds will be delivered during the balance of the contract — that is, from August 31st, 1955, to March 31st, 1962. It is estimated that the profit from the entire production after the amortization of preproduction and capital expenditures — i.e., $38,930,011 — will be $31,602,950.

(b) *Amendment of Port Radium Contract*

On the basis of our present estimates, the Port Radium property will be mined out by the end of 1958. There was on hand as at December 31st, 1955, 1,144,473 pounds which was not covered by contract. It is estimated that production between January 1st, 1956, and December 31st, 1958, will amount to 2,005,527 pounds. It was agreed that a contract would be entered into for 3,150,000 pounds at a price of $10.50 per pound, f.o.b. Port Radium. While this represents a considerable reduction below the previous price, for reasons which I explained to you it was considered advisable that a reduction in price should be offered. It is estimated that this contract will result in a profit of approximately $15,000,000 after depreciation.

(c) *Refining Contract*

As you are aware, the new refining process at Port Hope went into operation last June. The product of the new process is an orange oxide of a purity to permit its direct entry to a metal plant, as contrasted with the product of the old process which required further refining and purification before conversion to metal. Apart from the improvement in the specifications of the product, the new process also enables us to obtain recoveries in excess of 99% as against recoveries of approximately 90% in the old process. Since volume is the important factor in operating costs, when plans for the new process were under consideration it was decided to design for sufficient capacity to treat all of the Canadian production then in sight. In other words, the operation would not have been economic had it been based solely on the treatment of Eldorado concentrates. The new plant has a capacity for producing 3,300 tons of orange oxide per annum. To maintain the plant at full capacity will require production from Eldorado's properties, the Pronto and Gunnar properties, and some part of the production from the Algom property. While deliveries of orange oxide began last June, it was not considered desirable that a refining contract should be negotiated until at least six months' operating and cost experience was available. On the basis of this experience, a refining fee of 72¢ per pound of U_3O_8 contained in orange oxide was established. This figure covered operating cost, full depreciation over the period from June 1955 to June 1962, research and development cost including the amortization of the new research and development building and equipment, and a profit of 16¢ per pound. I advised you at our meeting that this refining fee appeared acceptable to the Commission. In subsequent discussion it has been suggested by the Commission that a longer period should be allowed for amortization, with a "bail-out" provision in the event that the plant does not operate for the entire period allowed for its amortization. I have advised the Commission that we would take this proposal under consideration. The suggested period of amortization — i.e., ten years — would have the effect of reducing the refining fee by approximately 5¢ per pound. On the basis of a refining fee of 72¢ per pound, the estimated profit on the contract after depreciation would be $6,500,000. If the refining fee is reduced to 67¢ per pound, the estimated profit would be $4,400,000.

A Letter of Intent has now been received from the Commission confirming the agreement described above with respect to the Beaverlodge and Port Radium contracts. The letter also accepts our proposal on the refining fee, subject to further discussion as to the possibility of increasing the period of amortization. While it is my hope that we can maintain our present position with respect to the refining fee, it may be necessary to give some ground on the question of amortization. I will keep you advised of developments in this connection.

Yours sincerely,
W.J. BENNETT

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786. C.D.H./Vol. 9

Le président d'Eldorado Mining and Refining Limited au ministre du Commerce

President, Eldorado Mining and Refining Limited to Minister of Trade and Commerce

SECRET

Ottawa, March 15, 1956

Dear Mr. Howe,

Further to our exchange of correspondence and our discussions regarding contracts with the United States Atomic Energy Commission for (a) Port Radium production, (b) Beaverlodge production and (c) refining, I am now able to advise you that final agreement has been reached on these contracts and that the contracts have been signed by Eldorado. I would expect that the Commission would sign the contracts within the next week or so. There is no change in the terms of the Beaverlodge and Port Radium contracts as I have described them to you in previous correspondence.

With respect to the refining contract, you will recall my pointing out in my letter of January 16th that the Commission had requested that we provide for a longer period of amortization. The specific proposal involved a reduction in price from 72¢ per pound to 67¢ per pound. We accepted the proposal, subject to a condition that the Commission would reimburse Eldorado for the unamortized portion of its capital expenditure in the event that the contract is terminated prior to the completion of a full write-off. The refining contract contains a provision setting out this understanding in terms acceptable to Eldorado. The total payment involved in the three contracts is $247,342,897. Of this amount, $29,953,448.25 has already been paid.

Yours sincerely,
W.J. BENNETT

787. C.D.H./Vol. 9

Le président d'Eldorado Mining and Refining Limited
au ministre du Commerce

President, Eldorado Mining and Refining Limited
to Minister of Trade and Commerce

SECRET Ottawa, May 14, 1956

Dear Mr. Howe,

Further to our conversation of Saturday last, I am attaching a memorandum on the uranium situation which has been prepared for your use in Cabinet. In accordance with the advice received from your office this morning, this memorandum has been prepared in a form suitable for distribution to the Cabinet.

I have made no reference in the memorandum to the proposed change in the U.S. domestic buying programme since I have been asked to treat this information in the strictest confidence.

Yours sincerely,
W.J. BENNETT

P.S. Since dictating the above, a letter† has been received from Jesse Johnson confirming the U.S. proposals outlined in the memorandum, a copy of which is attached.

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

[Ottawa], May 15, 1956

URANIUM PURCHASING POLICY

1. Arrangements covering the supplying of uranium to the United States were first entered into in 1942. These arrangements have been continued during the post-war years. Initially, the arrangements covered the purchase of uranium produced by Eldorado Mining and Refining Limited. In March, 1948, the arrangements were extended to include the purchase of uranium from other producers.

2. The arrangements with respect to the purchase of uranium from private producers by Eldorado Mining and Refining Limited, the Government's designated procurement agent, take two forms:

(a) Purchases which Eldorado Mining and Refining Limited may make under the published price schedule. This schedule was first published on March 12th, 1948. Revisions have been announced from time to time both with respect to price and the period of guaranteed market.

(b) Purchases which Eldorado may make under a special price formula which was established in consultation with the United States Atomic Energy Commission on December 10th, 1953.

(c) The termination date for deliveries under both arrangements is March 31st, 1962.

3. All purchases made to date have been made under the special price formula, and it is anticipated that all future purchases will be made under this formula. The arrangement as between Eldorado and the United States Atomic Energy Commission with respect to such purchases is as follows. Eldorado obtains a Letter of Intent from the U.S.A.E.C. prior to the execution of a contract with the producer. In each case Eldorado's contract with the producer is covered by a contract between Eldorado and the U.S.A.E.C.

4. When the arrangement covering purchases under the special price formula was entered into in December, 1953, no limitation was placed on the amount of uranium which the U.S.A.E.C. would purchase. In July, 1955, it was decided that the U.S.A.E.C. should be requested to make a firm commitment as to quantity, inasmuch as Eldorado had incurred at that time obligations to Canadian producers in the total amount of $337,000,000, and it appeared probable that further substantial obligations would be incurred — primarily because of new discoveries in the Blind River area. Moreover, it seemed desirable to advise the Canadian public as to the limitation with regard to purchases under the special price formula if, in fact, such limitation existed.[1]

5. While the U.S.A.E.C. indicated its desire to establish such a limitation, it was reluctant to have the limitation expressed in quantitative terms because of security provisions. Accordingly, it was agreed in July, 1955, that the U.S.A.E.C. commitment to purchase uranium which Eldorado might purchase under the special price formula would be limited as follows:

(a) Contracts should be negotiated on or before March 31st, 1956,

and

(b) There should be definite assurance that production would commence on or before April 1st, 1957.

This limitation with respect to purchases under the special price formula was announced by The Right Honourable C.D. Howe on August 3rd, 1955.[2] On that date it was estimated that Eldorado would incur further obligations in the amount of $663,000,000 — or a total obligation of $1,000,000,000.

6. In September, 1955, the United Kingdom Atomic Energy Authority advised Eldorado of its desire to purchase uranium in Canada in the following amounts:

(a) 2,500 tons to be delivered in the period up to March 31st, 1962; deliveries to commence in 1958 or earlier if possible.

(b) 5,000 tons to be delivered in the period from March 31st, 1962, to March 31st, 1967; deliveries to be at the rate of 1,000 tons per year.

7. In view of Eldorado's arrangements with the U.S.A.E.C., Eldorado advised the U.K.A.E.A. that the question of supplying Canadian uranium to the United Kingdom should be discussed at a tripartite meeting. At a tripartite meeting held in Washington in October, 1955, Eldorado advised the U.S.A.E.C. of Canada's interest in developing civil markets for uranium, particularly in the United Kingdom, and proposed that the U.K. requirement should be met by a diversion from the quantities which would be offered to the U.S.A.E.C. under the current arrangement between Eldorado and the Commission. The U.S.A.E.C. was sympathetic to this proposal but suggested that a decision be deferred until March 31st, 1956, at which time Eldorado would be in a better position to estimate the production which would be available beyond existing contracts.

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[1] Voir/See Volume 21, Document 457.

[2] Voir/See Volume 21, Document 459.

8. In December, 1955, it became apparent that certain of the potential producers would be unable to meet the production deadline of April 1st, 1957. In accordance with Eldorado's usual practice of keeping the U.S.A.E.C. informed of production estimates, the Commission was advised of this situation. At the time Eldorado's commitments, either in the form of contracts or Letters of Intent, amounted to $701,382,300.

9. In February, 1956, the U.S.A.E.C. proposed the following amendment of its arrangement with Eldorado covering purchases under the special price formula:

(a) Eldorado would continue to receive applications for special price contracts up to and including March 31st, 1956. On or shortly after that date Eldorado would notify those applicants which were considered to be eligible for the negotiation of contracts. In making the selection, the following criteria would be used:

(i) There must be satisfactory evidence that the applicant had an economic orebody.

(ii) There must be definite assurance that the property could be brought into production not later than September 30th, 1957.

There would be no change in the provision regarding the termination date for deliveries. Deliveries under all contracts must be completed by March 31st, 1962.

10. Agreement was reached on this proposal in late February and The Right Honourable C.D. Howe announced the modifications of the special price arrangement in the House of Commons on March 2nd, 1956.[3]

11. On the basis of information available in February, it was estimated that Eldorado's total commitment under the modified arrangement would amount to $1,080,000,000.

12. At a tripartite meeting held in Washington on May 3rd, 1956, for the purpose of discussing arrangements relative to the U.K. requirement, the United Kingdom Atomic Energy Authority indicated its desire to increase its supply from Canada in the period through March 31st, 1962, from 2,500 tons to 5,500 tons. The U.S.A.E.C. was reluctant to have the increased U.K. requirement diverted from quantities which would be offered to the Commission under the current arrangement with Eldorado, and proposed that Eldorado should explore the possibility of increasing the total amount of uranium which could be made available under the existing special price arrangement. At the same time, the U.S.A.E.C. indicated its desire to establish minimum and maximum quantities which it would be prepared to purchase under the special price arrangement. These figures were 68,000 tons and 71,000 tons respectively. Eldorado advised the meeting that the total quantity could be increased by increasing the mining and concentrating capacities of certain of the applicants for contracts. It was made clear, however, that since such an arrangement would have the effect of increasing Eldorado's total obligation to approximately $1,386,000,000, the approval of the Government of Canada would be required. In the event that the proposed increase is acceptable to the Government of Canada, the U.S.A.E.C. was prepared to agree that the total U.K. requirement might be met by diversion from quantities which would be offered to the U.S.A.E.C.

13. There were also discussed with the United Kingdom Atomic Energy Authority the contractual arrangements which would be made with regard to its requirement. It was agreed, subject to the approval of the Government of Canada, that Eldorado would enter into a contract with the United Kingdom Atomic Energy Authority under which it would undertake to supply 5,500 tons of uranium through the period up to March 31st, 1962, deliveries to commence in mid-1958 or at the beginning of 1959. The quantities involved

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[3] Voir Canada, Chambre des Communes, *Débats*, 1956, volume II, p. 1793.
See Canada, House of Commons, *Debates*, 1956, Volume II, p. 1739.

would be supplied from the mines remaining to be put under contract; the allocation as between these mines would be at Eldorado's discretion. It is estimated that the gross dollar value of the uranium to be supplied to the U.K. under this arrangement will be between $110,000,000 and $115,000,000. A firm estimate cannot be given until contract prices have been negotiated.

14. There was also discussed with the U.K.A.E.A. a proposal whereby the U.K.A.E.A. would have an option to purchase an additional amount of uranium in the period from March 31st, 1962, to March 31st, 1965, in the amount of 7,500 tons.

Bearing in mind Canada's interest in maintaining markets for uranium beyond March 31st, 1962, it was agreed, subject to the approval of the Government of Canada, that the contract between Eldorado and the U.K.A.E.A. would contain an option clause covering additional quantities in the amount of 7,500 tons.

15. At the tripartite meeting Eldorado raised the question of Canada's position with respect to requests for the supply of uranium which had been, or might be, received from other friendly countries. While Canada was fully aware of the desirability of marketing uranium within an acceptable international framework such as would be provided by the International Agency for Atomic Energy, it might be necessary to adopt an interim policy pending the establishment of the Agency or some other appropriate supra-national authority. More specifically, it was considered advisable that arrangements should be made to supply small requirements of uranium for research programmes under suitable bilateral agreements. The U.S.A.E.C. expressed its agreement with Canada's position and proposed that such quantities might be diverted from the total quantity which Eldorado would purchase under the existing special price arrangement with the U.S.A.E.C. up to 200 tons per annum.

788. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], May 17, 1956

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of Agriculture (Mr. Gardiner),
The Minister of National Revenue (Dr. McCann),
The Minister of Labour (Mr. Gregg),
The Secretary of State for External Affairs (Mr. Pearson),
The Minister of Justice (Mr. Garson),
The Minister of Public Works (Mr. Winters),
The Minister of Veterans Affairs and Postmaster General (Mr. Lapointe),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill),
The Minister of Northern Affairs and National Resources (Mr. Lesage),
The Minister of Transport (Mr. Marler),
The Secretary of State (Mr. Pinard).

The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Registrar of the Cabinet (Mr. Halliday).

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URANIUM; PURCHASING POLICY

30. *Mr. Howe, as Chairman of the Privy Council Committee on Scientific and Industrial Research*, said he had estimated in February this year that under the modified arrangements for special price purchases of uranium by Eldorado Mining and Refining Limited, for delivery to the U.S. Atomic Energy Commission, the estimated total commitment of Eldorado would amount to about $1,080 million.

During recent tripartite meetings in Washington the U.K. Atomic Energy Authority had indicated a desire to purchase uranium from Eldorado for delivery up to 1967. It had been thought that the quantities required might be diverted from deliveries to the U.S.A.E.C. under current arrangements.

The commission had now established the minimum and maximum quantities of uranium it was prepared to purchase and had suggested the possibility of increasing the total amount of uranium available from Canada under the special arrangements so as to take care of U.K. requirements as well as their own. Eldorado considered that the total could be increased by enlarging the mining and concentrating capacities of certain applicants for contracts under the purchasing arrangements with the company. This would probably increase Eldorado's total purchase commitments under the special price formula to $1,386 million which would be covered by firm contracts with the U.S. and U.K. authorities.

If this proposal were approved by Canada, the U.S.A.E.C. would agree to the total U.K. requirements being met by deliveries from the quantities of uranium offered to the U.S.

The proposed contract with the U.K.A.E.A. would provide for deliveries beginning in mid-1958 or January 1959, and would contain an option clause covering additional purchases after March 31st, 1962. This was very desirable in view of the interest of Canada in maintaining markets for uranium beyond that date. It was contemplated that the quantities required would be supplied from several mines under contract to produce supplies for the U.S., with allocation at the discretion of Eldorado. The estimated gross dollar value of deliveries to the U.K. would be between $110 or $115 million.

31. *During the course of discussion* the following points were made:

(a) The proposal would extend the output of certain uranium mines but not the termination date of March 31st, 1962, after which Eldorado was not obligated to accept deliveries under contracts with private producers. There were good potential mines available and, if they could get into production by September of next year, Eldorado could take care of this extra output.

(b) The U.K. was in desperate need of uranium. It was very desirable to supply what they required. However, this would channel their dollar reserves into uranium purchases at the possible expense of other exports from Canada. This was a risk that had to be taken and anything that would assist the U.K. in developing power was useful, as the import of coal was crippling the U.K. economy. Atomic plants had been built but fuel was needed for them.

(c) If Canada did not get into the British market now, other countries would be in on the ground floor when Canada might wish to export uranium. So far, Canadian production was the cheapest in the world because of the big deposits of ore which allowed economic organizations to be set up.

32. *The Cabinet* noted the report of the Chairman of the Privy Council Committee on Scientific and Industrial Research and agreed that tripartite arrangements be entered into with the U.S. Atomic Energy Commission and the U.K. Atomic Energy Authority for the sale to the Authority by Eldorado Mining and Refining Limited of uranium produced in Canada, in quantities sufficient to meet the requirements of the authority; such additional amounts to be met by increasing the production of uranium purchases by Eldorado, and the amounts to be diverted from the quantities of uranium offered to the U.S.A.E.C.

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789. C.D.H./Vol. 9

Le président d'Eldorado Mining and Refining Limited
au ministre du Commerce

President, Eldorado Mining and Refining Limited
to Minister of Trade and Commerce

CONFIDENTIAL Ottawa, December 17, 1956

Dear Mr. Howe,

At our last meeting I advised you that I had written to Jesse Johnson with regard to the post-1962 uranium situation. A copy of my letter is enclosed.

Arrangements have now been made to discuss this question at a meeting in Washington on January 9th. I will keep you advised of developments.

Yours sincerely,
W.J. BENNETT

[PIÈCE JOINTE/ENCLOSURE]

Le président d'Eldorado Mining and Refining Limited au directeur des opérations des matières premières, United States Atomic Energy Commission

President, Eldorado Mining and Refining Limited to Director, Raw Materials Operations, United States Atomic Energy Commission

CONFIDENTIAL

Ottawa, November 21, 1956

Dear Mr. Johnson,

You wrote me under date of September 28th, 1956,† in confirmation of the decisions reached at our meetings in Washington on September 27th and 28th, in which representatives of the United Kingdom Atomic Energy Authority also participated. These discussions were arranged because it seemed evident to Eldorado that despite the amendment to the special price arrangement which was agreed to in August, 1956, and the details of which were set out in R. Faulkner's letter of August 10th, 1956,† certain Canadian producers would still be unable to get into production owing to difficulties in arranging financing. The situation had reached the point where Eldorado considered that it would be unable to meet its minimum delivery commitment to the United States Atomic Energy Commission — i.e., 67,000 tons over the period up to March 31st, 1962 — and at the same time undertake the delivery of 5,500 tons to the United Kingdom Atomic Energy Authority over the same period.

In a letter written under date of September 4th† I advised you that in my opinion the financing difficulties of these producers could only be overcome if Eldorado amended its special price arrangement as follows:

(a) To increase the quantity of the contracts by an amount sufficient to provide for a full write-off of preproduction and capital expenses, applying the amortization factor which was used in the calculation of the original contract price.

(b) To extend the delivery period to March 31st, 1963.

(c) The price to be paid for deliveries after March 31st, 1962, to be the original contract price or $8.00 per pound plus the amortization factor — whichever is the lower.

In your letter of September 28th† you set forth the conditions under which the Commission would be prepared to agree to a modification of the special price arrangement as proposed above. R.J. Henry wrote you under date of October 18th† advising you that these conditions were acceptable to Eldorado. At our meeting in Washington on November 8th Mr. Henry and I advised you that in our view the modification of the special price arrangement would achieve the desired objective — namely, that of ensuring that Canadian production in the period up to March 31st, 1962, would be sufficient to meet our minimum delivery commitment to the USAEC and our delivery commitment to the UKAEA.

There were two questions which were left unresolved at the tripartite meeting in Washington on September 27th and 28th, as follows -

(a) The division as between the USAEC and the UKAEA of the extra production (now estimated at 6,000 tons) which is likely to become available by reason of the revision of the special price arrangement referred to above. It is probable that the bulk of this production will be delivered in the period between March 31st, 1962, and March 31st, 1963,

and

(b) The action to be taken on the request of the UKAEA for supplies of uranium from Canada during the period March 31st, 1962, through March 31st, 1967, exclusive of those quantities referred to in (a) which may be delivered subsequent to March 31st, 1962. In this connection you will recall that the UKAEA wishes to purchase 3,000 tons per annum over the period up to March 31st, 1967, and has indicated its desire to obtain an option on a further quantity of 1,500 tons per annum over the same period. I assume that if agreement can be reached as to the division between the Commission and the UKAEA of the 6,000 tons referred to in (a) above, the amount allocated to the UKAEA would constitute part or all of the 3,000 ton per annum requirement during the first year of the five-year period subsequent to March 31st, 1962.

You will recall that it was considered advisable to defer a decision on these two questions until such time as the supply situation in the period up to March 31st, 1962, had been clarified. With the assurance that we will now be in a position to meet our minimum commitment to the Commission and our commitment to the UKAEA through the period up to March 31st, 1962, I consider it most desirable that we should now endeavour to resolve these two questions and at as early a date as possible. As you are aware, the negotiation of the contract between Eldorado and the UKAEA covering the supply of 5,500 tons in the period up to March 31st, 1962, has been under way for some months. All items in the contract have been settled with the exception of items (a) and (b) referred to above. The UKAEA has asked for the inclusion of a clause covering these two items, with the full understanding that this must involve agreement on a tripartite basis. For obvious reasons we are anxious to complete the negotiation of the UKAEA contract.

It is my impression that there should not be too much difficulty with respect to the allocation as between the USAEC and the UKAEA of the additional production which is likely to become available in the period between March 31st, 1962, and March 31st, 1963, by reason of the recent revision of the special price arrangement. However, I recognize that a decision as to the allocation of Canadian production which will become available following the termination of existing contracts may present a more difficult problem.

The Commission is already aware of Canada's interest in supplying some part of the UKAEA current and future requirements of uranium for its civil programme. In this letter I wish to offer some general comments on the situation with respect to the possible extension of existing or proposed contracts. For the most part, these comments will confirm statements I have made to you over the past year.

From the outset of our relations with the Commission we have recognized that the Commission should have a prior call on Canadian production which will be available after the termination of existing contracts. This recognition is reflected in the options contained in Eldorado's contracts with the producer and in Eldorado's contracts with the Commission. As you are aware, this option now takes two forms. In contracts with the following companies -

Eldorado Mining and Refining Limited
Algom Uranium Mines Limited
Bicroft Uranium Mines Limited
Faraday Uranium Mines Limited
Rayrock Mines Limited

the option reads as follows:

> "If at or shortly prior to expiration of the contract term or if upon completion of deliveries hereunder, there remain ore reserves available to the Producer for treatment in the Producer's mill after such expiration or completion, then upon written request by

> Eldorado the parties shall in good faith negotiate for an extension of the contract term and at prices that are mutually acceptable, taking into account the fact that the unit price specified in this agreement includes full amortization of the estimated capital cost of the required production facilities, assuming delivery of the total quantity of U_3O_8 in concentrates specified herein."

Gunnar Mines Limited and Pronto Uranium Mines Limited have agreed to the inclusion of this option in any amendment to their contracts.

In existing or proposed contracts with the following companies -

Lorado Uranium Mines Limited
Consolidated Denison Mines Limited
Can-Met Explorations Limited
Northspan Uranium Mines Limited
Stanrock Uranium Mines Limited
Stanleigh Uranium Mining Corporation Limited
Milliken Lake Uranium Mines Limited
Dyno Mines Limited
Cavendish Uranium and Mining Company Limited
Greyhawk Uranium Mines Limited
Rexspar Uranium & Metals Mining Company Limited

the option reads as follows -

> "Notwithstanding anything contained herein, Eldorado shall have an option to be exercised on or before March 31st, 1961, to extend the contract and to purchase a quantity of U_3O_8 in concentrates thereunder not in excess of an amount determined by multiplying _______ pounds by a number of days between the date of completion of deliveries of _______ pounds or March 31st, 1963, whichever is earlier, and December 31st, 1966. The exercise of this option shall be accomplished by a written notice from Eldorado to the Producer which shall specify the additional quantity of material to be purchased, the period of the contract extension, and any other variations from the terms and conditions of the contract herein stipulated in connection with the exercise of the option. In the event that this option is exercised, deliveries will be at an approximate rate of _______ pounds per month and shall be completed on a date specified in such notice which shall be not later than December 31st, 1966, it being understood that the contract shall be extended by a period sufficient to allow completion of deliveries at said monthly rate. In such event, the price per pound to be paid by Eldorado for U_3O_8 in concentrates meeting the specifications of the United States Atomic Energy Commission under its domestic uranium concentrate procurement programme announced May 24th, 1956, shall be the price in U.S. currency which the United States Atomic Energy Commission guarantees under the said programme to domestic producers for similar purchases, as reflected in contracts being executed at April 1st, 1962, and shall be payable in U.S. funds, it being understood that if such contracts normally contain provision to allow the producers generally to benefit from possible subsequent increases in the said guaranteed price, a similar provision will be included in the contract extension with the Producer made by the exercise of this option. For concentrates failing to meet these specifications, there shall be an appropriate price adjustment. All the provisions hereof shall apply so far as applicable and with all necessary changes in respect of concentrates delivered pursuant to the exercise by Eldorado of the option provided for in this Article."

It will be noted that in the option for the first group of producers there is no requirement as to the date on which the option must be exercised, the price to be paid, or the period during which deliveries will be accepted; whereas the second option is specific on these three points. At our recent meeting in Washington I pointed out that we might receive requests from the first group of producers for an amendment of the option clause, to bring it into line with the option clause contained in the contracts of the second group of producers. It was agreed that if such requests were received Eldorado would amend the option clause accordingly. Apart from this difference in the option clauses, they have this common feature — the extension of contracts is entirely at the buyer's option. This in itself is an acceptable arrangement, providing that the buyer is able to declare his intention with respect to the options in sufficient time to enable the producer to find other markets in the event that the options are not exercised. As I have pointed out, no specific date has been established for the exercise of the first option, although the language suggests that no action need be taken until deliveries under existing contracts have been completed. Deliveries under the contracts containing this option are likely to be completed in the period January 1st, 1961, to March 31st, 1962. The second option is specific as regards the date of its exercise — namely, March 31st, 1961. It is our considered opinion that it would be unrealistic to expect that no action need be taken on these options until deliveries have been completed under existing contracts in the case of the first option, and until March 31st, 1961, in the case of the second option. We must anticipate that Eldorado will be under increasing pressure to declare its position with regard to the exercise of these options. This pressure will be caused by three things -

(1) The fact that Canada's domestic requirements over the period of the next twenty-five years will take up only a small part of the projected production of uranium in Canada. On the basis of the most optimistic forecast as to the role of nuclear power in Canada, the requirement for uranium is not likely to exceed 2,000 tons per annum as late as 1980. Consequently, if Canadian production is to be maintained in the period beyond March 31st, 1962, export sales must provide the market.

(2) The knowledge that other buyers may be prepared to go firm for quantities in the period beyond March 31st, 1962. The requirement of the UKAEA in the period March 31st, 1962, to March 31st, 1967, is a case in point. Approaches have already been received from other governments and, while the immediate requirements are not large, they may be expected to increase as the civil programmes in these countries expand. As we now see the situation, the immediate requirements of countries other than the United Kingdom and the United States with which Canada would be prepared to enter into bilateral agreements, can be met from the diversion of 200 tons per annum which has been agreed to in your letter of May 14th. However, we have already been advised that these countries will be interested in obtaining larger quantities if such quantities can be made available after 1962. The large-scale development of the civil uses of atomic energy in these countries is contingent on the availability of uranium. It may be assumed, as has already happened in the case of the United Kingdom, that individual countries will wish to obtain a firm commitment as regards uranium supplies some time in advance of the need for these supplies. This means simply that if a supplier is unable to give a firm commitment, the country will seek its supplies elsewhere.

(3) The realization that every effort is being made to expand production in the United States. While I understand that the Commission's objective in extending its buying programme to March 31st, 1966, was primarily to ensure that an appropriate level of production would be maintained in the United States beyond March 31st, 1962, there is nothing in the current policy apart from the restriction on the total quantity which may be purchased from any one company that would put a ceiling on total production in the United States in the period March 31st, 1962, to December 31st, 1966. Consequently, we cannot

overlook the possibility that the level of production in that period may be such as to cause a cessation or a substantial reduction in the Commission's demand on Canadian sources. In this connection I should point out that we have no information on current rates of production in the United States or on projected rates of production through the period to March 31st, 1962, and through the period from March 31st, 1962, to December 31st, 1966. It is my view that if such information could be made available we would be in a better position to assess the Canadian situation in relation to the probable future U.S. demand on Canadian sources.

To sum up, the Government of Canada is very much concerned as to the position of Canadian producers following the termination of deliveries under existing contractual arrangements. Moreover, the Government of Canada recognizes that it has an obligation to ensure that these producers will have markets when their existing contracts expire. There is a full understanding of the difficulties which the Commission may encounter in any attempt to forecast the requirements from Canada beyond March 31st, 1962. On the other hand, the Commission will likewise understand the difficulties which the Government of Canada will undoubtedly encounter if no clarification is given to the producers as regards the exercise of options until 1961. For obvious reasons the Government of Canada does not wish to find itself in the position of having rejected firm offers from other buyers for production after March 31st, 1962, only to find that the Commission is not prepared to exercise its options.

I would appreciate an early opportunity of discussing with you and with the Commission, if necessary, the questions raised in this letter.

Yours sincerely,

[W.J. BENNETT]

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790. C.D.H./Vol. 5

Le président d'Eldorado Mining and Refining Limited
au ministre du Commerce

President, Eldorado Mining and Refining Limited
to Minister of Trade and Commerce

CONFIDENTIAL Ottawa, March 16, 1957

Dear Mr. Howe,

This will confirm our conversation of today's date regarding arrangements for the supply of uranium to the United Kingdom Atomic Energy Authority.

Agreement has now been reached with the U.K.A.E.A. on the form and the content of the contract covering the supply of 5500 tons of uranium in the period July 1st, 1958, to March 31st, 1962. I expect that the contract will be signed before the end of next week. When the contract has been signed, we can arrange for an appropriate announcement. The U.K.A.E.A. has agreed that the approximate total dollar value of the contract may be given in the announcement. The figure will be approximate in as much as the deliveries will come from different mines which have different prices in their contracts. The rate at which delivery will be taken from a given mine has not yet been determined.

It had been our hope that we might also include in the contract a clause covering the U.K. requirement of 15,000 tons in the period March 31st, 1962, to December 31st, 1966. It had been anticipated that this quantity would be supplied from the quantities which would be available under the options in the existing contracts, in which case the U.S.A.E.C. would have had to agree to a diversion. However, the U.S.A.E.C. is not yet in a position to advise us that it is prepared to agree to such a diversion. The further development of ore reserves, particularly in the Blind River area, which has occurred in recent months, indicates clearly that Canadian production could be increased by an amount necessary to meet the U.K.A.E.A. requirement after 1962, even if the U.S.A.E.C. decides against the proposed diversion. This increase could be obtained by expanding the production capacity of some of the existing mines. There is a possibility that some part of it could be obtained without expanding production capacity since there is now evidence that some of the mines will be able to produce at rates in excess of the rates estimated at the time the contracts were negotiated. The quantities specified in the present options are based on the rates of production established in the contracts. In other words, the options do not cover any excess above these rates. In these circumstances, we are now able to give the U.K.A.E.A. an assurance that the 15,000 tons required after March 31st, 1962, can be supplied, even if the U.S.A.E.C. does not agree to a diversion from the quantities which it has under option. Subject to your approval, I propose to give the U.K.A.E.A. this assurance in a letter, a draft of which is attached.

The first two paragraphs of the letter concern the arrangements which will prevail in the event that the U.S.A.E.C. agrees to allocate to the U.K.A.E.A. some part of the additional production now contracted for, i.e. 6,000 tons, which will be available by reason of the recent modification of our special price formula. Whatever part of this quantity is allocated to the U.K.A.E.A. will form part of the 15,000-ton requirement of the U.K.A.E.A. in the post-1962 period. This is provided for in the final paragraph of the letter.

Paragraph three of the letter, page 2, sets out the respective commitments with regard to the 15,000-ton requirement, less whatever part of the requirement may be obtained from the 6,000-ton quantity referred to in the previous paragraph. You will note that the arrangement provides for sale from quantities under option, should the U.S.A.E.C. agree to a diversion, or from quantities yet to be contracted for, in the event that the U.S.A.E.C. does not agree to a diversion. In the first case, the price to be paid would be identical with that in the present options. In the second case, the price would have to be negotiated since we are not in a position to commit the producer on production which is not now under contract or under option. Moreover, the undertaking in the second case is based on the assumption that the Government of Canada, through its agent Eldorado, will be prepared to take whatever steps may be required for its implementation. While I do not believe that any problems will arise in this regard, we should recognize now the full implications of our undertaking, should we have to adopt the second course. While there is no financial commitment involved, there is an obligation to ensure availability.

As I advised you this morning, I would have preferred to delay making a commitment on the U.K.A.E.A. 15,000-ton requirement until the U.S.A.E.C. had advised us of its intentions with respect to its options. However, I have been concerned that if this decision were delayed too long, the U.K.A.E.A. might enter into arrangements with another supplier. This concern has been increased by the recent information I have obtained that the U.K.A.E.A. is negotiating for new production in the Union of South Africa. In these circumstances, I think it best that we should give the U.K.A.E.A. a definite assurance that we will be in a position to supply the desired quantity notwithstanding the action which the U.S.A.E.C. may take on its options.

Yours sincerely,

W.J. BENNETT

[PIÈCE JOINTE/ENCLOSURE]

Projet d'une lettre du président d'Eldorado Mining and Refining Limited à la United Kingdom Atomic Energy Authority

Draft Letter from President, Eldorado Mining and Refining Limited to United Kingdom Atomic Energy Authority

By an agreement dated ___ between Eldorado Mining and Refining Limited and the United Kingdom Atomic Energy Authority, Eldorado has agreed to sell and the Authority has agreed to purchase uranium concentrates having a total U_3O_8 content of 11,000,000 pounds for delivery in a period commencing on or before August 1st, 1958, and ending on March 31st, 1962. By an arrangement with the United States Atomic Energy Commission, this quantity is being diverted from quantities which the United States Atomic Energy Commission had contracted to purchase from Eldorado for delivery during the period ending March 31st, 1962.

Since the diversion referred to above was arranged the Commission has contracted to purchase an additional quantity of uranium concentrates containing approximately 12,000,000 pounds of U_3O_8 for delivery not later than March 31st, 1963. At the tripartite meeting held in Washington on September 27th, 1956, the United Kingdom Atomic Energy Authority indicated their desire to purchase some part of this additional quantity. It was agreed at that meeting that the allocation of this additional quantity as between the United States Atomic Energy Commission and the United Kingdom Atomic Energy Authority would be worked out later between the parties. In the event that agreement is reached whereby some portion of this additional quantity is allocated to and purchased by the Authority, Eldorado agrees to sell such portion to the Authority for delivery before March 31st, 1963, with deliveries to commence immediately following completion of deliveries of the 11,000,000 pounds referred to above. The price at which such portion will be sold will be the lesser of (a) the sum as listed for each Producer in paragraph 1 of Article II of the Eldorado-Authority Agreement of ______, or (b) the sum of Eight Dollars ($8.00) (U.S. funds) or such higher price as may be published by the United States Atomic Energy Commission in revision of its domestic programme announced May 24th, 1956, for U_3O_8 in concentrates as applicable to contemporaneous deliveries under the said programme, plus:

$2.41 (Canadian) if the concentrates are produced by Dyno Mines Limited, or substituted company
$2.70 (Canadian) if the concentrates are produced by Cavendish Uranium & Mining Company Limited, or substituted company
$2.73 (Canadian) if the concentrates are produced by Lorado Uranium Mines Limited
$2.12 (Canadian) if the concentrates are produced by Milliken Lake Uranium Mines Limited
$2.06 (Canadian) if the concentrates are produced by Stanrock Uranium Mines Limited
$2.25 (Canadian) if the concentrates are produced by Stanleigh Uranium Mining Corporation
$2.98 (Canadian) if the concentrates are produced by Rexspar Uranium Metals Mining Company Limited
[$2.98] (Canadian) if the concentrates are produced by Rayrock Mines Limited
$2.11 (Canadian) if the concentrates are produced by Northspan Uranium Mines Limited;

it being understood that, in order to determine which of the two prices referred to above is less, calculation of that part of the price which is payable in U.S. dollars shall be made on the basis of the arithmetical average of the Bank of Canada noon rates for U.S. exchange for the calendar month preceding the month in which payment is first made on account of each delivery.

Moreover, on the understanding that the United Kingdom Atomic Energy Authority undertake to purchase 30,000,000 pounds of U_3O_8 for delivery at an approximate rate of 1,600,000 pounds per quarter during the period April 1st, 1962, to December 31st, 1966, Eldorado for its part undertakes to sell this quantity for delivery as stated. In the event that all or part of this quantity can be supplied from production under option to Eldorado, the price will be identical with that provided for in the existing options and similarly payable in U.S. funds. In the event that some part of this 30,000,000 pounds is supplied from production capacity created under the existing contracts but from production nor under option at the date of this letter, or in the event that some part of the uranium is supplied from new production capacity, the price for such uranium will be negotiated.

In the event of deliveries being made to the United Kingdom Atomic Energy Authority of any of the additional quantity referred to in paragraph 2 hereof, the quantities referred to in paragraph 3 hereof will be reduced by the amount of such deliveries.

Will you please confirm your acceptance of these arrangements.

791.

C.D.H./Vol. 5

Le ministre du Commerce
au président d'Eldorado Mining and Refining Limited

Minister of Trade and Commerce
to President, Eldorado Mining and Refining Limited

CONFIDENTIAL

[Ottawa], March 18, 1957

Dear Mr. Bennett,

Thanks for your confidential letter of March 16th, notifying me of the proposed arrangements for the supply of uranium to the United Kingdom Atomic Energy Authority.

These proposed arrangements have my approval. You have explained to me that whether or not the United States Authority exercises its option in full, Canada will still be able to supply the 15,000 tons of uranium to the United Kingdom Authority in the period March 31st, 1962 to December 31st, 1966.

It will be in order for you to sign these agreements as far as the Government is concerned.

Yours sincerely,
C.D. HOWE

792.

C.D.H./Vol. 5

Le président d'Eldorado Mining and Refining Limited
au ministre du Commerce

President, Eldorado Mining and Refining Limited
to Minister of Trade and Commerce

CONFIDENTIAL

Ottawa, April 12, 1957

Dear Mr. Howe,

This letter is written in confirmation of our recent discussion regarding the advice I have received from the United States Atomic Energy Commission in the matter of the division of the additional 6,000 tons of uranium which will be available under existing contracts by reason of the modification of the special price arrangements.

I enclose copy of a letter I have received from the General Manager of the United States Atomic Energy Commission, from which you will note that the Commission is now prepared to allocate to the United Kingdom Atomic Energy Authority 5,000 tons of the additional 6,000 tons which is expected to be delivered under existing contracts in the period March 31st, 1962, to March 31st, 1963. There is some possibility that a portion of the additional 6,000 tons may be delivered prior to March 31st, 1962. In this event, the USAEC has stipulated that the UKAEA will accept delivery of five-sixths of such amounts. This is a reasonable stipulation, since the revision of the special price arrangements may involve the payment of a lower price on deliveries which are made after March 31st, 1962.

At the present time the USAEC is committed to purchase the full 6,000 tons. If we accept the proposal of the USAEC, this commitments to the extent of 5,000 tons will be taken over by the UKAEA. The amount of money involved is approximately $105,000,000.

It is my understanding that the proposal has your approval and that I may advise the USAEC and the UKAEA accordingly.

Yours sincerely,
W.J. BENNETT

[PIÈCE JOINTE/ENCLOSURE]

Le directeur général de la United States Atomic Energy Commission au président d'Eldorado Mining and Refining Limited

General Manager, United States Atomic Energy Commission, to President, Eldorado Mining and Refining Limited

Washington, April 9, 1957

Dear Mr. Bennett:

This is in reference to your letter of March 1, 1957,[4] regarding the possible diversion to the United Kingdom of a portion of the 6,000 tons U_3O_8 expected to be delivered under existing contracts in the period March 31, 1962-March 31, 1963. This subject was also discussed in your letter to me of January 24, 1957.[5] Subsequently we have on several occasions discussed the problem of releasing for sale to the U.K. uranium covered by our contracts and options with you.

As you have been informed, the Commission will not be in a position to make a decision on the release of uranium covered by its options for post-1962 production until there has been a detailed review of our potential requirements. This review is not expected to be completed for several months.

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[4] Non retrouvée./Not located.

[5] Non retrouvée./Not located.

In the meantime, the Commission has considered the suggestion made in your letter of March 1 regarding the release of material expected to be available under existing contracts in the period March 31, 1962-March 31, 1963. This will confirm the information given you by Mr. Jesse Johnson in a telephone call last Friday, March 29.

The Commission has agreed to the sale by Canada to the U.K. of 5,000 tons U_3O_8 from the 6,000 tons expected to be delivered in the March 31, 1962-March 31, 1963 period as a result of certain contract revisions agreed upon last year. You will recall that the quantities deliverable under these contracts were increased and the final delivery dates extended to March 31, 1963 in order to allow a full five-year production period and facilitate financing the cost of bringing them into production.

We understand that there is a possibility that a certain portion of the 6,000 tons expected to be delivered between March 31, 1962, and March 31, 1963, might be delivered prior to March 31, 1962. In that event, some of the 5,000 tons released for sale to the U.K. would also be subject to delivery and acceptance by the U.K. prior to March 31, 1962. The foregoing arrangement is contingent, of course, on the AEC's receiving under its contracts with Eldorado a minimum of 68,000 tons U_3O_8 in the July 1, 1955 to March 31, 1962 period. Details of the 5,000-ton sale can be worked out in discussions which you propose to have with us in the near future.

With kind regards,

Sincerely yours
K.E. FIELDS

793.

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Le ministre du Commerce
au président d'Eldorado Mining and Refining Limited

Minister of Trade and Commerce
to President, Eldorado Mining and Refining Limited

CONFIDENTIAL

[Ottawa], April 20, 1957

Dear Mr. Bennett,

Thanks for your letter of April 12th, to let me know that the United States Atomic Energy Commission has now agreed to the division of the uranium required for our United Kingdom commitment.

I assume that your contract with the United Kingdom for five thousand tons can be completed and announcement made shortly. I would advise making the U.K. contract for a firm five thousand tons, regardless of the contingency mentioned in your letter.

Yours sincerely,
[C.D. HOWE]

794. C.D.H./Vol. 5

Le président d'Eldorado Mining and Refining Limited au ministre du Commerce

President, Eldorado Mining and Refining Limited to Minister of Trade and Commerce

CONFIDENTIAL Ottawa, April 27, 1957

Dear Mr. Howe,

I have your letter of April 20th in reply to my letter of April 12th with reference to the advice I have received from the United States Atomic Energy Commission that it would be agreeable to the allocation to the United Kingdom Atomic Energy Authority of 5,000 tons of the 6,000 tons of additional uranium for which Eldorado has contracted as a result of the modification of the special price arrangement last October. This quantity is in addition to the 5,500 tons of uranium which has already been diverted to the UKAEA with the agreement of the USAEC.

I have noted your suggestion that we should proceed with the writing of a contract to cover this additional quantity, regardless of the contingencies mentioned in my letter of April 12th. I fear that this is not possible. At the present time the USAEC has contracted to buy the 6,000 tons of uranium referred to in the previous paragraph. Consequently, if 5,000 tons is to be diverted to the UKAEA, the diversion must be subject to the conditions which the USAEC has laid down as follows:

(a) Eldorado will meet its minimum commitments to the USAEC — i.e., 68,000 tons — in the period July 1st, 1955, to March 31st, 1962.

(b) In the event that any part of the 6,000 tons of additional uranium referred to above is delivered prior to March 31st, 1962, the UKAEA will take five-sixths of the quantity so delivered.

Condition (a) raises no difficulty, since we are now satisfied that we will be able to meet our minimum commitment to the USAEC in the period July 1st, 1955, to March 31st, 1962.

The situation with respect to condition (b) is as follows. As already noted, the 6,000 tons of additional uranium will become available as a result of the modification of the special price formula arrangements. This modification involved an increase in the quantity of certain contracts and an extension of the date for the termination of deliveries from March 31st, 1962, to March 31st, 1963. When the modification was agreed to, the USAEC requested that the following provisions should be made with respect to price:

> On deliveries made prior to March 31st, 1962, the contract price will be paid.
>
> On deliveries made in the period March 31st, 1962, to March 31st, 1963, the price to be paid will be the contract price *OR* $8.00 per pound (U.S. funds) plus the amortization allowance used when the original contract price was negotiated.

The request was made because the USAEC had announced that, effective March 31st, 1962, the price to be paid for domestic production would be $8.00 per pound, except in those cases where preproduction and capital expenditures had not been fully amortized — in which event the price would be $8.00 per pound plus an amortization allowance. We regarded this proposal as reasonable, and the contracts have been written accordingly. Incidentally, the UKAEA was fully informed on this point, since it was a party to the discussions which took place in Washington last September when it was decided to modify the special price arrangements. Since in the case of every contract $8.00 plus amortization will be lower than the original contract price, it will be clear that the price to be paid on deliveries made prior to March 31st, 1962, will be higher than the price paid on deliveries in the period March 31st, 1962, to March 31st, 1963. While we have assumed that all of the 6,000 tons will be delivered after March 31st, 1962, there can be no certainty as to this. The USAEC, therefore, takes the position (and it is one with which I cannot quarrel) that should any part of the 6,000 tons be delivered prior to March 31st, 1962, the UKAEA will take its appropriate share of the quantity so delivered.

Plowden has been advised of this condition and has inquired of me as to the extent of the possible dollar commitment which might be involved. He has expressed some concern as to whether the UKAEA would be in a position to increase its dollar commitment in the period up to March 31st, 1962, beyond that for which it is committed in the present contract — i.e. $115,000,000. I have explained to Plowden that it will be extremely difficult for us to establish any firm estimate of what part of the 6,000 tons might be delivered before March 31st, 1962, until all of the mines are in production — that is, sometime early in 1958. I have also made it clear to Plowden that I would have difficulty in supporting any representations which the UKAEA might make to the USAEC that the UKAEA would not be required to take delivery of any part of the 5,000 tons until after March 31st, 1962.

We are now endeavouring to prepare an estimate as to the maximum quantity which might be delivered prior to March 31st, 1962. I am going to London on May 23rd and I hope to be able to give Plowden some idea of what the maximum dollar commitment of the UKAEA might be. I am hopeful that with such information he will be in a position to accept condition (b).

While I fully expect that this difficulty can be resolved, it will be apparent that we are not now in a position to make any announcement with regard to the supply of additional uranium to the UKAEA, nor are we in a position to write a contract with the UKAEA.

Yours sincerely,
W.J. BENNETT

795.

PCO/R-100-1-U

Eldorado Mining and Refining Limited
au greffier du Conseil privé

Eldorado Mining and Refining Limited
to Clerk of Privy Council

Ottawa, May 30, 1957

Dear Bob [Bryce]:

I am enclosing herewith a memorandum as a basis for discussion at an early date.

Yours sincerely,
R.J. HENRY

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

[Ottawa], May 30, 1957

RECENT DEVELOPMENTS RELATING TO SPECIAL PRICE CONTRACTS

In Washington May 15-17 Bill Bennett and I discussed with the United States Atomic Energy Commission the problem of the acceptance by the Commission of deliveries under the special price contracts at an accelerated rate. While the problem is too complicated and lengthy to cover completely in a memorandum, a few salient points emerged which can serve as a basis for discussion amongst ourselves.

This problem has arisen from the expressed intention of the Blind River mines, particularly Algom and Consolidated Denison, to deliver concentrates at a rate greater than was expected and to terminate contracts earlier than was forecast. At Algom and Denison, and to a lesser degree at Pronto, there is evidence to indicate that the ores fed to the mills may carry 10% or more uranium than was estimated and, in addition, the capacity of the plants is probably upwards of 10% in excess of rating.

The United States Atomic Energy Commission undertaking is to accept up to a maximum of 71,000 tons in the period July 1, 1955 to March 31, 1962 and to divert to the United Kingdom 5,500 tons in addition, providing the Commission receive a minimum of 68,000 tons. There is as well provision for Canada to reserve its own requirements and to divert an additional 200 tons per year for sales to other countries. The United Kingdom is strongly against acceptance of any amount in excess of 5,500 tons before March 31, 1962. This undertaking by the United States Atomic Energy Commission is contained in letters and does not bear any direct relationship to the "contracts" between Eldorado and the producers and the covering contracts between Eldorado and the United States Atomic Energy Commission.

The special price contracts after Gunnar and Pronto contain clauses which state: "The producer shall use its best endeavours to deliver concentrates containing approximately X pounds of U_3O_8 each month" after a stated tune-up period. This we call the scheduled rate of production.

It now appears that the United States Atomic Energy Commission may not want to accept deliveries in excess of the aggregate of the scheduled rates of production if the aggregate is in excess of the 68,000 minimum.

Furthermore, the United States Atomic Energy Commission has submitted a budget for its fiscal period July 1, 1957 to June 30, 1958, for the purchase of 11,600 tons and this budget has been passed and accepted. This submission was done without consultation with us. The present drive for economy in Congress makes the Commission concerned about any expenditures in excess of this budget.

There is no doubt in our minds that the chief reason for the Commission's attitude is the Ambrosia Lake discoveries in New Mexico which will raise U.S. production some 5,000 to 8,000 tons in excess of estimates made six months back. Also, it could be that a feeling exists that a higher grade of ore coupled with a greater throughput in the Blind River mines means that prices in the contracts were too high.

We have attempted to estimate deliveries by the producers through March 31, 1962, but this is difficult to do accurately when two small mines are still on the doubtful list of any production at all (Rexspar and Cavendish) and where many other mines are not yet in production and the date they may reach full production quite uncertain. However, assuming the mines not yet in production will achieve same at the earliest possible date, and that no mines will suffer any interruption due to strikes, fire or other mishap, then production through March 31, 1962, would be as follows:

1. *At the rate scheduled in the contracts*

July 1/55 - June 30/57	–	5,800	tons
July 1/57 - June 30/58	–	11,515	tons
July 1/58 - Mar. 31/62	–	58,849	tons
Total		76,164	tons

Of this total amount, 74,667 is under contract and 1,497 is under option.

The requirements to March 31, 1962, are as follows:

USAEC minimum	–	68,000	tons
UKAEA	–	5,500	tons
Canada and others	–	1,500	tons
		75,000	tons

Thus if all the mines achieve production and all maintain uninterrupted production then we cannot permit them to operate in excess of the scheduled rates in their contracts, if we are not to exceed the U.S.A.E.C. minimum requirement. On the other hand, it would not take very much short-fall, together with the 2,000 tons scheduled for Rexspar and Cavendish to bring the total well below the U.S. minimum requirement of 68,000.

To hold the mines to the scheduled rates in the contract would be extremely unpopular and might afterwards result in hardship if production were interrupted later. Also, to limit the mines during their tax-free run and then afterwards have to ask them for production at a greater rate would place Eldorado in an unenviable position.

I have sought for a formula to permit production in excess of the scheduled rate for a time until we know more definitely how many mines will produce and what rate they are capable of. Such a plan is shown below:

2. No restrictions before June 30, 1957
Scheduled rates plus 10% July 1, 1957 – June 30, 1958
Scheduled rates only July 1, 1958 – March 31, 1962

July 1/55 - June 30/57	–	6,006	tons
July 1/57 - June 30/58	–	12,331	tons
July 1/58 - Mar. 31/62	–	58,849	tons
Total		77,186	tons

This would seem a more sensible course than (1) above, but before we could adopt it we would have to get the United States Atomic Energy Commission to accept 12,331 tons in its next fiscal year, or at least to accept 12,331 - 11,600 = 731 tons extra immediately after July 1, 1958, and to accept up to 2,186 tons extra through March 31, 1962, provided the production amounted to 77,186 tons by this date.

3. No restrictions before March 31, 1958
Scheduled rates only April 1, 1958 – March 31, 1962

July 1/55 - June 30/57	–	6,006	tons
July 1/57 - June 30/58	–	12,460	tons
July 1/58 - Mar. 31/62	–	58,849	tons
Total		77,315	tons

The United States Atomic Energy Commission engineers visited us in Ottawa May 28-29 and asked us to prepare estimate (3) above. Jesse Johnson wanted to know how many tons of U_3O_8 the Commission would have to buy under this plan.

(a) No restrictions before December 31, 1957

(b) Restriction to scheduled rate on 3 months' notice at any time thereafter. March 31, 1958, thus becomes the earliest date when a cut-back to scheduled rate can apply.

Bill Bennett and I agree, I think, that the scheduled rate in the contract means something and that there is no invitation in the contract to make deliveries at an excessive rate. Also, if a producer does make deliveries at an excessive rate, then the price worked out in the basis of the producers' estimates was too high. However, we would want to be very sure before limiting production in any way that such limitation would not produce a shortfall. Moreover, before we would put a limit on production to please the United States Atomic Energy Commission, we would want to try to make certain changes which would benefit the producers.

One such change is the exercise of options after March 31, 1962, if even for a limited period, say through March 31, 1963, with a decision at some later date for exercise of options further through December 31, 1966. This Bill Bennett has asked the Commission to do.

The other change would require both the approval of the Canadian Government and the United States Atomic Energy Commission. If the Government approved we would ask the Commission to permit the producers to sell any uranium in excess of the amounts the U.S.A.E.C. and U.K.A.E.A. would accept to foreign parties, subject to the following conditions:

(a) The producer would have to guarantee to complete its contract with Eldorado.

(b) Sales would be subject to Government regulations which require a bilateral agreement, export permit, etc.

(c) If such sales were permitted, it is my personal recommendation that Eldorado permit the seller to negotiate and set its price, subject to the condition that for each pound sold outside the Eldorado contract, the producer sell one of the contract pounds to Eldorado less the cost of the amortization factor. Such sales would be by the producer to the ultimate consumer and Eldorado would have no liability for payment or delivery.

While the United States Atomic Energy Commission would have to consent to this change, it is hard to see how they could refuse since the producer would only be selling uranium which the Commission had refused to buy. The provision in (c) would also lower the price to the Commission, provided any sales were made and, of course, it is highly doubtful if any substantial amount would be sold.

There might be a third way to solve the problem if the Commission would undertake to buy production in excess of the scheduled rate at a price less the amortization factor. However, no one has suggested this to them yet.

Numerous other details and angles on this situation will develop in discussion of this problem with you.

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796. PCO/R-100-1-U

Eldorado Mining and Refining Limited
au greffier du Conseil privé

Eldorado Mining and Refining Limited
to Clerk of Privy Council

Ottawa, June 12, 1957

Dear Bob [Bryce]:

This week Jesse Johnson has indicated that we can have his arrangement, which would be no limitation on production before March 31, 1958, at the earliest, if we so desire.

I enclose copy of a few notes I made after a meeting in Toronto.

With kindest personal regards.

Yours sincerely,
R.J. HENRY

[PIÈCE JOINTE/ENCLOSURE]

Notes

[Ottawa], June 10, 1957

MEETING HELD IN TORONTO JUNE 7TH

Present:
G.C. Bateman, R.J. Henry, W.F. James,
B.S.W. Buffam, E.L. Brown, V.J. Pittson

R.J. Henry's memo of May 30th was discussed and V.J. Pittson reported on a visit to Blind River from which he had just returned.

R.J. Henry stated that recent estimates probably indicated 400-500 tons more production through June 30th, 1958, than had previously been forecast.

After discussing the situation for an hour or so, it was decided that a meeting of the producers should be held in Toronto as soon as possible.

That George Bateman and someone representing the Cabinet (preferably Bob Bryce Jr.) should attend as well as Eldorado officials.

That at this meeting, subject to changes and decisions which the USAEC may make in the meantime, the producers should be told that while we want to take production as fast as possible, we must warn the producers that over-production, if accepted, will be at the producers' risk of a compensating cut-back at a later date, and that we cannot allocate any shortfall at any one mine specifically to another.

Also that the producers should be given the reasons for this policy and full discussion encouraged.

At the same meeting there should be a clear statement by a spokesman for the Government on foreign sales.

There should also be discussion and any notification on options.

After this meeting and after taking into consideration any ideas developed at the meeting each producer should be notified in writing of our policy.

The meeting was in favour of foreign sales by the producer directly to the foreign buyer subject to such restrictions and controls as the Government may impose. The meeting was not in favour of setting the price at which such sales could be negotiated, but it was agreed that a producer should not be selling at prices below the contract price without adjustment to Eldorado. George Bateman suggested that any sales made to foreign buyers should apply on the contract quantity for purposes of amortization, but that deliveries under the contract should not be changed thereby. This would mean that if a producer sold X pounds during the contract to parties other than Eldorado, then the last X pounds delivered under the contract would be paid for at the contract price less amortization. It was thought the USA would be permitted to buy under this arrangement if they so desired and that this permission puts them in the position of having been offered production and having refused it.

2e PARTIE/PART 2

EXPORTATIONS D'URANIUM : POLITIQUE
EXPORT OF URANIUM: POLICY

797. DEA/14002-2-6-40

Note pour le secrétaire d'État aux Affaires extérieures

Memorandum to Secretary of State for External Affairs

SECRET [Ottawa, n.d.]

BRIEF FOR MEETING OF HEADS OF MISSION IN EUROPE, LONDON, MAY 1956: CANADIAN POLICY CONCERNING THE EXPORT OF URANIUM

1. Canada is already a very substantial producer of uranium, and there is little doubt that production could be significantly expanded if that were desired and the necessary financial arrangements made. Existing production, and that which does not yet exist but can be brought in before September 30, 1957, is obligated until 1962 to the US Atomic Energy Commission. Thus we would not have available for export elsewhere (except perhaps under a special arrangement to the UK) anything more than the merest token quantities until the end of 1957. If the Government should so decide, however, and if it should make the necessary financial and other arrangements, it would probably be possible to produce uranium for export to other countries beginning in 1958. This would probably be soon enough to meet the practical needs of those countries, provided the necessary decisions are taken and the governments concerned are informed in the fairly near future.

2. The decisions involved are of two kinds, one group relating to financial and commercial considerations and the other to political and security consideration. Uranium produced in Canada may be sold only to Eldorado Mining and Refining Ltd. (a Crown Company). So far Eldorado has been willing to conclude the "special price contracts" necessary to attract the required investment capital only in cases where these can be matched against USAEC purchase contracts. In other words, Eldorado until now has acted in this connec-

tion as an underwriter between the Canadian producers on the one hand and the USAEC as monopoly purchaser on the other. If uranium is to be marketed elsewhere it will have to be decided (1) whether Eldorado will continue to serve as an underwriter, matching purchase contracts from abroad against domestic production contracts, (2) whether Eldorado will branch out into buying uranium for ultimate sale abroad but concluding its purchasing contracts without awaiting specific commitments from potential buyers, or (3) whether the Atomic Energy Control Act shall be amended to permit Canadian producers to sell to purchasers other than Eldorado. There would be subsidiary decisions required concerning pricing policy and other related matters, but the fundamental point would be to determine the role to be played by the Canadian government (and financial liability to be assumed by it) in marketing uranium.

3. On the political and security side, it will be necessary to decide what purchasers will be acceptable and on what terms they would be permitted to purchase. There is not yet a clear picture of what control system will be established under the proposed International Atomic Energy Agency, nor of the relationship of that control system to bilateral agreements which may be concluded outside the Agency. Equally the Government has not yet decided what safeguards, if any, it would require of purchasing governments in connection with uranium exported from Canada, and what role Eldorado might play in this connection.

4. The points touched on above indicate the range of important decisions yet to be taken before the Government can declare an explicit policy on the marketing of uranium abroad. Preparatory work on these matters is proceeding and it is hoped that recommendations on at least some of these matters will be ready for submission to Ministers shortly. In the meantime, it is clear that our supplies of uranium are ample to provide that material in quantities far beyond any foreseeable domestic requirement. Subject to the solution of the problems indicated above, therefore, it seems proper to look forward to supplying uranium to other countries in substantial quantities, both as a wholesome commercial development and in order to make available to friendly countries the raw material on which to base their atomic energy programmes.

5. In recent months enquiries have been made by various European governments. Pending decisions on the questions indicated above, we have been at some pains to encourage friendly European governments to look to Canada for their uranium supplies. The line that has been taken is indicated in the attached extract from a statement made by Mr. Wilgress at the OEEC Ministerial Meeting which took place earlier this spring.[6] There are also attached for convenience of reference certain extracts from Hansard containing relevant statements by Mr. Howe and yourself.[7] It will be recognized that the various projects for co-operation among European countries in atomic energy matters will have a bearing on Canada's uranium export policy; some comments on Canada's attitude towards Euratom and the OEEC proposals for atomic co-operation are provided in the brief on European integration.†

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[6] Voir/See Document 393.

[7] Pour les extraits contenant les déclarations faites par Howe les 1er et 2 mars 1956, et une déclaration de Pearson le 2 mars 1956, voir Canada, Chambres des Communes, *Débats*, 1956, volume II, pp. 1765, 1793 et 1795.

For the extracts, which contain statements made by Howe on March 1 and 2, 1956, and a statement made by Pearson on March 2, 1956, see Canada, House of Commons, *Debates*, 1956, Volume II, pp. 1712, 1739 and 1741.

798. DEA/14002-2-6-40

Le sous-secrétaire d'État aux Affaires extérieures
au greffier du Conseil privé
et au président de l'Énergie atomique du Canada Ltée

Under-Secretary of State for External Affairs
to Clerk of Privy Council
and to President, Atomic Energy of Canada Ltd.

CONFIDENTIAL [Ottawa], July 6, 1956

CONTROLS ON BILATERAL ATOMIC AGREEMENTS

It will be recalled that it was decided at a meeting in Mr. Bennett's office on June 20 to have a paper prepared summarizing the principal points which emerged in the discussion. It was intended that this paper, after possible informal discussion with Ministers most directly concerned, would serve as guidance to Mr. Bennett in his projected discussion with European officials concerning the possible supply of uranium from Canada.

I attach for your consideration a draft which we have prepared designed to serve the purpose indicated. The final two paragraphs record relevant developments which have taken place since the meeting.

It is my understanding that the original purpose of this paper is now less important, since Mr. Bennett has had to reduce the amount of time which he expects to spend on the continent of Europe and since he has reconsidered the desirability of discussing the supply of uranium with Swedish and French authorities at present. I understand he would now prefer to avoid such discussions until the conference scheduled to open in New York on September 20 to consider the draft statute for the proposed International Atomic Energy Agency.[8]

I believe, however, that Mr. Bennett still expects to discuss such questions with Mr. Wilgress in Paris, perhaps during the OEEC Ministerial Meeting taking place July 16-18. The attached paper may be useful for that purpose. It occurs to me, moreover, that it might provide a starting point for the preparation of a Canadian position for the proposed multilateral talks referred to in the final paragraph of the attached draft.

I should therefore be grateful for your comments on this draft, if possible in order that they may be incorporated in a revised text prior to Mr. Bennett's departure for Europe now planned for July 15.

JULES LÉGER

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[8] Concernant cette conférence, voir volume 22, les documents 430 et 431.
On this conference, see Volume 22, Documents 430-431.

[PIÈCE JOINTE/ENCLOSURE]

Projet d'une note

Draft Memorandum

CONFIDENTIAL

[Ottawa], July 5, 1956

CONTROLS ON BILATERAL ATOMIC AGREEMENTS

On June 20 Mr. Bryce, Mr. Bennett and Mr. Léger discussed *inter alia* the question of controls on bilateral agreements to cover the sale of Canadian uranium. There were two particular reasons for discussing the matter at that time. One was the request from the United States (Washington's Letter No. 777 of June 2†) for our comments on the control articles which U.S. authorities proposed to include in their future bilateral agreements, a request implying that they hoped Canada would impose similar conditions on the sale of natural uranium. A second reason related to Mr. Bennett's forthcoming trip to Europe, during which it was expected that he might have discussions with officials of various countries concerning the possible supply of uranium from Canada. Of particular importance are the requests from Sweden for ten tons annually and from France for 400 tons annually.

2. An interim reply† had already been sent to the United States' enquiry to the effect that we were not in a position to determine our attitude on bilateral controls until the position of other countries was clearer. There was no immediate prospect of our concluding any bilateral agreement to supply uranium and we would discuss with U.S. authorities again before doing so.

3. It was the view of the meeting that no further response should be made at present.

4. On the question of what controls we should actually require, it was suggested that a distinction might be made between significant quantities of uranium and what could be described as research quantities. (The latter term would perhaps cover the Swedish request, but scarcely the French one.) It was pointed out, however, that Canada will be the largest single supplier and indeed will tend almost to dominate the uranium market; if she does not provide a clear lead on the control question there is little likelihood of general acceptance of the need for controls on transactions in natural uranium. Hence our support of the principle that controls are desirable should be made unambiguously clear. We could, of course, in such cases as that of the Swedish request, indicate informally that although we considered the principle important we would expect that its application to individual cases could be arranged by agreement so as to involve a minimum of burdensome procedures.

5. This general approach being accepted, it was the concensus that Mr. Bennett might express our position to the Swedes should the occasion arise. He could explain our view that "bilateral transactions in natural uranium should as a matter of principle be subject to controls. It would be our hope that such controls might be carried out through the control establishment to be set up by the proposed International Atomic Energy Agency. If it should be necessary, however, for us to specify terms prior to the establishment of the Agency we could do so; they would be similar (allowing for the fact that they would operate bilaterally rather than multilaterally) to those which we wish to see incorporated in the Agency's control arrangements."

6. A similar indication of our views on control could be given to the French authorities. The context would be somewhat different, however, since we are in a position to release the amount of uranium requested by Sweden but not at present that requested by France.

Hence discussion of controls with the French would be conditioned by supply considerations.

7. Discussion then turned to the control arrangements which we might accept for release of uranium to a group of countries through some such regional organization as Euratom or OEEC. It was pointed out that these organizations might well establish among themselves a technically adequate control system in which Canada would not participate. While there would be strong arguments in favour of releasing uranium to be controlled in that way, there might be embarrassment in according to such arrangements a degree of confidence which we were not prepared to accord to the participating governments individually.

8. Finally, it was accepted that the considerations mentioned above in connection with bilateral agreements were applicable only to allegedly peaceful uses of uranium. We might in individual cases be prepared after consideration to provide uranium to countries planning to use it for military programmes; indeed we already do for the United States, and while the point is not entirely clear it would not be surprising if some of the uranium which we recently undertook to supply to the United Kingdom were to be used for military purposes. Such cases, however, would be dealt with separately and in accordance with different criteria from those governing supply for peaceful uses.

9. Since that meeting of June 20 there have been two developments having a bearing on these matters. The United States has concluded bilateral agreements with several countries, and while the precise terms are not known it appears that the countries concerned (Australia, Brazil, France, The Netherlands, New Zealand, Switzerland) have agreed to conditions more or less the same as those on which Canadian comments had been requested. Countries therefore appear willing to accept such conditions for agreements involving the transfer of enriched uranium, but it is not clear that this would extend to natural uranium. Indeed France has made it clear that it would not wish to accept such controls for natural uranium transactions.

10. The second new development is a further approach by the United States. The U.S. had already asked the U.S.S.R. if it would be willing to discuss the possible standardization of safeguards under which the two countries would be willing to provide assistance through the Agency, and the possibility of an agreement to subject bilateral agreements to Agency controls. The U.S. has subsequently asked Canada, France and the U.K. if they would be willing to join in such a discussion. The reply† has already been given that Canada would be willing to join the other governments mentioned in an examination of these questions; the position of the other three governments (France, U.K., U.S.S.R.) is not yet known.

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799. DEA/14002-2-6-40

Note du sous-secrétaire d'État aux Affaires extérieures pour la Direction économique

Memorandum from Under-Secretary of State for External Affairs to Economic Division

CONFIDENTIAL [Ottawa], July 18, 1956

SALE OF URANIUM

I am seriously concerned over the situation in which we seem to be placed whereby it is impossible for us to give any hope to those European countries such as France and Sweden which have shown interest in purchasing uranium from us. I know that this subject is explosive and that we should be cautious in considering such requests before good progress is made in setting up some form of control through the international agency. We must bear in mind, however, that this country will continue to be a major exporter of uranium and that we must find markets for our future production. Otherwise we will have to bear some responsibility for whatever disruption might be caused by the lack of markets.

2. If we are clear in our own minds that our normal market apart from the United States and the United Kingdom is in Western Europe, then I think we should be more forthcoming in meeting approaches received from countries of that region. We need not necessarily take sides in the Euratom versus OEEC controversy since, I presume, we would be willing to sell to both.

3. In a simplified form the control aspect of this problem appears to me as follows: either a satisfactory control system will be set and there is no problem, or, none will be set and there will be no sale. If it were possible to spell this out in agreeing to the release of uranium as of 1957 or 1958, then I think we should give sympathetic and urgent consideration to the requests already received, and possibly also prompt requests from other countries of Western Europe.

4. While unfamiliar with developments in other uranium producing countries, I am afraid that our indifference might lead such countries as Belgium, and possibly also South Africa, to make an attempt to capture some of the markets which normally could be supplied from Canada.

5. I should like to discuss this with Messrs. Barton and Kirkwood as well as the political officers of the Divisions concerned.[9]

J. L[ÉGER]

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800. DEA/14002-2-6-40

Le président de l'Énergie atomique du Canada Ltée au sous-secrétaire d'État aux Affaires extérieures

President, Atomic Energy of Canada Ltd., to Under-Secretary of State for External Affairs

Ottawa, July 19, 1956

Dear Mr. Léger,

CONTROLS ON BILATERAL ATOMIC AGREEMENTS

I have read with interest the draft memorandum you have prepared setting out the conclusions which were reached at our meeting some weeks ago with respect to the control provisions of bilateral agreements covering the sale of natural uranium.

I would suggest the following revisions in the memorandum -

(a) The following to be substituted for paragraph 4:

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[9] Note marginale :/Marginal note:

This meeting is arranged for 3 o'clock in the Under Sec[re]t[ar]y's Office Tues[day] July 24. Represented will be Economic, European, U.N. and D.L. Divisions W.O. M[atthews]

"On the question of what controls we should actually require, it was suggested that a distinction might be made between significant quantities of uranium and what could be described as research quantities. (The latter term would cover the Swedish request, but scarcely the French one). It was pointed out, however, that Canada as a major supplier of uranium should show leadership and should act with responsibility. Hence we should make unambiguously clear our support of the principle that controls are desirable. We could of course ..."

(b) The following to be substituted for paragraph 6:

"As far as the French request is concerned there is an added complication in that the quantity of material requested is not available from current or planned production. Arrangements would have to be made for its supply either by opening a new mine or by increasing the production capacities of existing mines. Such an increase in the total production capacity in Canada would mean that should there be a cut-back in demands from the U.S. military programme after March 31, 1962, we would have an even greater expected surplus capacity in Canada at that time. On the other hand, unless initial orders from industrial countries like France are accepted now, Canada cannot expect to build up a wide export market which financially is most desirable. This decision on production capacity has first to be made. If it is decided to increase production and be in a position to meet the French request, then the French authorities could be so informed. At the same time they could be informed of our position on controls as set out in paragraph 5 above."

With reference to revision (b), it should be noted that at the present time all Canadian uranium production is committed to the United States and the United Kingdom — that is, the production which will become available under existing contracts, or contracts which are now pending. There is a provision in all contracts that Canada may reserve production for her own use. It has also been agreed that Canada may divert from the uranium to be produced under existing arrangements, an amount not in excess of 200 tons per annum for supply to other countries for research purposes. In other words, we would only be in a position to meet the French requirement of a thousand tons by bringing in additional production, or by agreement with the United States that an additional quantity could be diverted from production now committed to the United States. Either course presents problems although of a different kind.

Yours sincerely,
W.J. BENNETT

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801. PCO/R-100-1-U

Note du greffier du Conseil privé
pour le premier ministre

Memorandum from Clerk of Privy Council
to Prime Minister

SECRET [Ottawa], January 18, 1957

POLICY IN REGARD TO EXPORT OF URANIUM FROM CANADA

You will recall the various problems we have had on this matter both in connection with the American and British procurement programmes and with the International Agency that is now in the course of being organized.

It is now necessary to formulate some policy in regard to the sale of uranium abroad, at least in small quantities. In order to meet this, a memorandum has been drawn up by Mr. Bennett and Mr. Watson of Atomic Energy, by External Affairs, Finance and this office for consideration by yourself, Mr. Howe, Mr. Pearson and Mr. Harris. It contains at its end some suggestions for policy and a couple of appendices in detail about control both in general and as applied to the Indian reactor as an example. It is not intended that these appendices be approved in detail and more work on them will be necessary but they are attached to illustrate something of the nature of the problem.

I would recommend that you concur in the proposals that are recommended in paragraph 8 of the memorandum.[10] I should, of course, be glad to discuss them with you. Mr. Howe has suggested that one of them be re-worded to clarify it. I have had his re-wording pinned at the proper place in the original.

Mr. Léger, in submitting the paper to Mr. Pearson, has drawn to his attention the fact that no reference is made in the recommendations to the supply situation after the next few years. He tells me "I shall say that while interested governments will no doubt question us on this point at an early opportunity, the position after 1962 is not clear enough for us to give other governments any firm assurance at present that we will be able to meet their requirements. Accordingly Mr. Bennett in particular regards it as the wise course (and I do not dissent) to make no reference to this particular question in the proposed declaration of the general terms on which we are now prepared to supply uranium."

In fact the contractual and other commercial situation is quite complicated and will require further study in the next few months to determine whether we should and can take action to enable us to contract to sell substantial quantities to countries other than the United States and the United Kingdom.[11]

R.B. B[RYCE]

[PIÈCE JOINTE 1/ENCLOSURE 1]

Note

Memorandum

SECRET

[Ottawa], January 9, 1957

EXPORT OF URANIUM FROM CANADA

1. During the last year or so a number of enquiries have been received from other Governments, some fairly firm and others more tentative, on the possibility of obtaining uranium from Canada. Except in one case the quantities in which these Governments were interested have been relatively small. The exception arises in the case of France, which expressed the wish to conclude arrangements for the purchase from Canada of approximately 1000 tons of uranium over the three year period extending approximately from 1958 to 1960.

2. Our substantial output of uranium (some 15,000 tons (valued at approximately $300,000,000) annually by 1958) is at present entirely committed, except for the small quantities we may require for our own programme, in contracts to the United States and the United Kingdom until 1962. The United States authorities, however, have declared

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[10] Note marginale :/Marginal note:
I agree L.S. St-L[aurent]

[11] Note marginale :/Marginal note:
On the whole, I think well of the progress these papers disclose L.S. St-L[aurent]

themselves prepared to permit the diversion from the amounts contracted to them of up to 200 tons per year provided that scheduled annually deliveries are maintained; this will permit us to meet modest initial requirements of countries which will need larger amounts in following years for their peaceful atomic programmes. It was on the basis of this understanding that Mr. Howe announced on May 25 of last year that the Government was prepared now to consider requests for "research quantities" of uranium,[12] but would not be in a position to consider requests from other governments for larger quantities until a later date.

3. Aside from the supply problem however, there has been hesitation about giving a definite response to the various enquiries which have been made because of uncertainty concerning the problem of controls. It has been the policy of the Government that it would be undesirable for natural uranium to be exported for peaceful uses from Canada or other producing countries without controls adequate to prevent its diversion to military use. We know and accept the fact that our shipments to the United States and the United Kingdom may be used in the atomic weapons programmes conducted by those two countries. The exact control position which we should adopt with regard to uranium exports from Canada could not be determined until a more general pattern of international controls relating to the peaceful uses of atomic energy had begun to emerge. It was obvious that the main forum for the development of an international control pattern would be the negotiations directed towards the establishment of the International Atomic Energy Agency. Governments which have enquired about the supply of uranium have therefore been informed that we would not be able to define the terms on which we could make uranium available until the control principles to be applied by the Agency should be determined. As the Statute for the Agency has recently been prepared and signed, and the control question debated in some detail in the course of the Conference which produced that Statute, we are now able to declare our position on the question of control in relation to the provision of uranium from Canada to other countries.

4. In accordance with its directive from the Government,[13] the Canadian Delegation at that Conference took the position that the Agency should establish an effective system of international controls (to be operated under the authority of the Board of Governors of the Agency), that these controls should apply as appropriate to transactions conducted through the Agency including the supply of source materials such as natural uranium, and that the Agency's control machinery should be applicable at the request of the parties concerned to bilateral or multilateral transactions concluded outside the Agency. In order to protect us against a situation in which other suppliers might be willing to provide natural uranium not subject to control we made no explicit commitment that the provision of uranium from Canada would be undertaken only subject to controls; but we made clear our view that it would be in the best interests of all countries that extension of Agency controls to bilateral agreements should become the general rule, and our hope that producing and purchasing countries alike would recognize that fact and act accordingly. The Statute's provisions are in accord with this Canadian position, but it remains to be determined whether other governments will in fact be willing to avail themselves of these facilities by requesting the extension of Agency controls to their bilateral agreements.

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[12] Voir Canada, Chambres des Communes, *Débats*, 1956, volume IV, pp. 4482 et 4483.
See Canada, House of Commons, *Debates*, 1956, Volume IV, pp. 4325-4326.

[13] Voir/See Volume 22, Document 430.

5. It is considered desirable that the general terms should now be determined on which the Government would be prepared to enter into bilateral agreements to cover the supply of uranium for peaceful uses to countries other than the United Kingdom and the United States. Such agreements, incidentally, might in appropriate cases be broadened to cover other forms of cooperation than the supply of uranium. It is proposed that for the present the supply of uranium be contemplated only within the context of the understanding with the U.S.A.E.C. that up to 200 tons may be diverted annually from their contracts, and that no consideration be given at this time to further expansion of Canadian production facilities beyond what is now planned to meet the existing U.K. and U.S. contracts.

6. The control features of the general terms on which we might enter negotiations for bilateral agreements on the supply of uranium constitute broad principles which can now be determined and which we know to be acceptable to the governments most closely associated with us in these matters. It is therefore considered desirable that these features should be made known as soon as possible, first on a confidential basis to certain friendly governments and shortly thereafter in a public statement. Countries which might be given prior notice include first the United States and the United Kingdom, secondly certain friendly producing countries which may thereby be encouraged to impose similar conditions on the sale of uranium (Australia, Belgium, Portugal and South Africa) and thirdly the countries which have made specific enquiries about the purchase of Canadian uranium (Denmark, France, Germany, India, Japan, Pakistan, Sweden and Switzerland).

7. Before these control features could be written into the text of bilateral agreements, however, it will be necessary to work out the procedures and machinery required for their application. Tripartite (U.S.-U.K.-Canadian) talks on this subject are proposed for the second half of January, and the preparation for and results of those talks should permit the determination by early February of the detailed provisions on control which we will require for our bilateral agreements. In this connection, we do not know when the International Agency may be in a position to apply controls and we must envisage that controls applied directly by Canada in cooperation with the purchasing country will be necessary as an interim measure for cases where the purchasing countries wish to obtain deliveries before the Agency control system is in effect. The preliminary examination of the application of controls to the supply of natural uranium has been carried out with particular reference to the provision of the fuel elements for the C.I.R. reactor in India, and the tentative conclusions of that study are annexed.

8. It is accordingly recommended:

(a) That the Governments of Australia, Belgium, Portugal, South Africa, the United Kingdom and the United States, with which we are closely associated in matters relating to the supply of uranium, and the Governments of Denmark, France, Germany, India, Japan, Pakistan, Sweden and Switzerland, which have expressed an interest in the purchase of uranium, be informed in confidence of the general terms, set out below, on which the Canadian Government would propose to negotiate bilateral agreements to cover the supply of uranium;

(b) That after a suitable short interval a public announcement of these terms be made;

(c) That the terms be as follows:

(i) The Government of Canada is now prepared to enter into negotiations directed towards the conclusion of bilateral agreements with friendly governments to provide for the supply of uranium from Canada for peaceful uses in those countries;

(ii) For reasons of supply the amounts of uranium which can at present be made available in accordance with such agreements are limited to research quantities; nevertheless it is expected that these quantities will be sufficient to meet the current requirements of most governments wishing to obtain uranium from Canada;

(iii) Convinced that international transactions in fissionable materials for peaceful uses should be subject to effective safeguards against diversion to other uses, in order that such materials may be freely supplied and become available to all countries with assurance for all against their abuse, the Canadian Government will require that the Agreements contemplated in (i) above provide for adequate safeguards against diversion of the uranium supplied to other than peaceful uses, and would hope that governments wishing to conclude such agreements will join with it in requesting the International Atomic Energy Agency to apply appropriate safeguards;

(iv) Except for the provision mentioned in (iii) above, the Canadian Government under such agreements will expect to supply uranium to other governments on a normal commercial basis.

(d) That the terms set out in (c) above be those which be now made known to other governments, and thereafter made public; but that there be worked out as soon as possible detailed provisions for their application such as to permit the exercise of control either by the Agency, or (with the Agency being appropriately informed) by Canada in cooperation with purchasing governments;

(e) That, following the working out of the necessary detailed provisions, negotiations directed towards the conclusion of bilateral agreements of the type indicated be undertaken with governments willing to negotiate to this end on the terms outlined above.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Annexe A

Annex A

It is considered that three separate elements are involved in the application of controls adequate to ensure full accountability for natural uranium which may be supplied to other governments. Of these the first is the production by the recipient government of operating and other records (which it will no doubt have to maintain for domestic purposes in any case), the second is the auditing of these records to determine the disposition at any given time of uranium supplied, and the third is inspection as necessary to verify the records supplied and the results of the audit.

Bearing in mind the quantity of special fissionable material which can be produced from natural uranium and the amount of special fissionable material required to make an atomic warhead it is considered that full control is needed for the supply of natural uranium in quantities greater than ten tons. From the same considerations it is not thought that any control is necessary in practice on the supply of material with under one ton of uranium content. In the region of one to ten tons, the control could be less than complete to an extent dependent upon the form of the material supplied and other relevant factors.

It is not technically possible to make analyses of special fissionable material with accuracies of less than a few percent and therefore it is suggested that the records of special fissionable material should be given to the nearest 100 grams. For natural uranium it is suggested that the reports should likewise be given only in round numbers — to the nearest 1000 kilograms.

It is suggested that reports be called for annually and that the reports should state (a) the quantities of materials held at the beginning of the year,

(b) the quantities of materials received during the year,

(c) the quantities of special fissionable materials produced during the year from the materials supplied,

(d) the reduction during the year of the stocks supplied,

(e) the quantities of materials held at the end of the year which have been supplied or which have been produced from materials supplied.

If the operation of the project results in the loss or destruction of source or special fissionable material supplied or produced from fuel supplied, an explanation should accompany the report. It will not normally be necessary to list any loss or destruction if the quantities involved are less than the minimum accounting figures given above.

In the future it may be that the reporting of other source material besides natural uranium (e.g. thorium) or other special fissionable materials besides plutonium (e.g. uranium-235, uranium-233) will be required. Should these latter special fissionable materials be supplied, a problem arises in that there would undoubtedly be varying degrees of enrichment. To meet this point, it is suggested that the following six categories of materials be set up for reporting purposes:

(i) *Plutonium*

(ii) *Uranium-235* contained in enriched uranium in which the uranium-235 content is greater than five percent of the total weight of uranium content.

(iii) *Uranium-233* contained in enriched uranium in which the uranium-233 is greater than five percent of total weight of uranium content.

(iv) *Uranium* containing uranium-235 in which the uranium-235 is less than five percent of the total weight of uranium content.

(v) *Uranium* containing uranium-233 in which the uranium-233 is less than five percent of the total weight of uranium content.

(vi) *Thorium*—A suggested form for the report is shown in Appendix I.†

A draft article on proposed safeguards for incorporation in the agreement which is required to cover the supply of fuel elements for the C.I.R. (India) reactor is shown as Appendix II.

[PIÈCE JOINTE 3/ENCLOSURE 3]

Appendice II à l'annexe A

Appendix II to Annex A

PRELIMINARY DRAFT FOR FURTHER CONSIDERATION

Article on Safeguards for the C.I.R. Reactor Fuel Element Agreement

1. In keeping with the principles of the International Atomic Energy Agency, the following safeguards will apply to any source or special fissionable material made available to the Government of India or to any person under its jurisdiction by the Government of Canada or any person under its jurisdiction, and any source or special fissionable material utilized in, recovered from or produced as a result of the operation of the nuclear reactor of the NRX type provided to the Government of India by the Government of Canada under the Colombo Plan hereinafter referred to as the C.I.R. Reactor.

2. The Government of India hereby guarantees,

(a) that source and special fissionable materials shall be safeguarded against (1) hazards of the weather, (2) unauthorized removal or diversion, (3) damage or destruction, including sabotage and (4) forcible seizure.

(b) that the C.I.R. Reactor will be operated and that the source and special fissionable materials present in India will be handled with due regard to the health and safety hazards involved and in accordance with the standards recommended by the International Commission of Radiological Protection.

(c) that the operating records of the C.I.R. Reactor will be maintained and periodic reports issued as set out in the Detailed Procedure accompanying this agreement for the purpose of assisting in ensuring accountability for source and special fissionable materials.

(d) that special fissionable materials recovered or produced in the C.I.R. Reactor will be used for peaceful purposes for research or in reactors, existing or under construction, and that any excess of special fissionable materials recovered or produced over what is needed for the above stated purposes be disposed of pursuant to an arrangement mutually acceptable to both parties or be deposited at a location specified by the Government of Canada in order to prevent stockpiling, but on the understanding that thereafter at the request of the Government of India, the special fissionable materials so deposited shall be returned promptly to the Government of India for use under the same provisions as stated above.

(e) the right of the Government of Canada to send into India inspectors designated after consultation with the Government of India who shall have access at all times to all places and data and to any person who by reason of his occupation deals with source and special fissionable materials, as necessary to account for source and special fissionable materials supplied and fissionable products and to determine whether there is compliance of the undertakings by the Government of India as set out in sub-paragraphs (a), (b), (c), and (d) above. The inspectors shall be accompanied by representatives of the Government of India if the Government of India so requests, provided that the inspectors shall not thereby be delayed or otherwise impeded in the exercise of their functions. It is expected that the audit and inspection of natural uranium fuel before entering the reactor will be nominal.

3. In the event of non-compliance and failure of the Government of India to take requested corrective steps within a reasonable time, the Government of Canada shall suspend or terminate the supply of source or special fissionable material and shall withdraw materials already supplied.

4. When the International Atomic Energy Agency is in a position to administer controls and safeguards required by the Agency in connection with similar assistance rendered to a cooperating nation under the aegis of the Agency, the Contracting Parties shall consult with each other to determine in what respects and to what extent they desire to arrange for the Agency to administer like controls and safeguards in this Agreement.[14]

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[14] Voir/See Volume 22, Document 680.

802. DEA/14002-2-6-40

Le président d'Eldorado Mining and Refining Limited
au sous-secrétaire d'État aux Affaires extérieures

President, Eldorado Mining and Refining Limited
to Under-Secretary of State for External Affairs

Ottawa, January 31, 1957

Dear Jules [Léger],

At our meeting last Thursday we touched briefly on the question of the procedure to be followed in connection with the negotiation of Bilateral Agreements covering the sale of uranium.

I think we must anticipate that there will be two stages in the procedure — first, the negotiation of a formal Agreement between the Government of Canada and the government of the country to which the uranium will be sold, and, second, the negotiation of a sales contract between Eldorado Mining and Refining Limited and the agency or corporation which has been designated as the buyer by the receiving country. In some cases the sales contract may be with a government agency and in others it may be with a private corporation.

It is my view that the Bilateral Agreement should be quite specific as to the control provisions which will apply and should not contain any specific information as to the quantity of uranium to be supplied, price, specifications, deliveries, etc. These latter points should be covered in the sales contract. One of the several advantages in not specifying quantity in the Bilateral Agreement is that this will permit us to increase the quantities, should this be possible or desirable, without seeking an amendment to the Bilateral.

I think we are agreed that the actual negotiation of both the Bilateral and the sales contract should take place in Ottawa. I suggest that your Department should accept the prime responsibility for the negotiation of the Bilateral, with the understanding that our technical and legal people will be available for consultation. I suggest that Eldorado Mining and Refining Limited should have the prime responsibility for the negotiation of the sales contract. We will, of course, keep you fully informed as to the details of any contracts that may be negotiated.

Yours sincerely,
W.J. BENNETT

803. DEA/14002-2-6-40

Note du chef de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division,
to Under-Secretary of State for External Affairs

CONFIDENTIAL [Ottawa], February 1, 1957

BILATERAL AGREEMENTS TO COVER THE EXPORT OF URANIUM FROM CANADA

I attach for your signature, if you approve, a telegram to London and Washington giving the text of an aide mémoire to inform the U.K. and U.S. governments of the general terms on which the government is prepared to negotiate bilateral agreements covering the supply of uranium. The terms are those recently approved by Ministers, with certain drafting improvements suggested by Mr. Bryce and two minor additions proposed by Mr. Bennett and implicit in the memorandum which went to the Ministers. One of the additions is to describe the proposed agreements as for "cooperation in the peaceful uses of atomic energy, covering in particular the supply of uranium"; this is designed to permit the inclusion as appropriate of clauses relating to exchange of information or personnel, etc. The other change is to describe the "adequate safeguards" envisaged as "similar to those contemplated in Article XII of the Statute of the Agency". This has of course been intended throughout, but Mr. Bennett has pointed out that unless it is made explicit some governments might hope to obtain from Canada less stringent control provisions than the Agency would require. These additions are satisfactory to Mr. Bryce and Mr. Taylor.

As it is desirable to proceed as rapidly as possible, the telegram envisages the delivery of the aide mémoire to U.K. and U.S. representatives (in Ottawa and also in London and Washington) on Monday (February 4). This would be followed by delivery of its substance to representatives in Ottawa of the twelve other governments involved on February 6.

I would suggest that you or Mr. Macdonnell might call in Mr. Pritchard and Mr. Thompson of the U.K. and U.S. missions on the Monday; we would provide you with suitable texts of the aide mémoire, and Mr. Kirkwood could attend if you should so wish. As for the other twelve, the interviews with France, Germany, and India (each of which might be at Head of Mission level) will be of special significance; you might wish to handle them yourself. It might be, to share the burden, that the others could be delivered more or less as follows: Mr. Macdonnell — Japan, Sweden, Switzerland; Mr. Matthews — Australia, Belgium, South Africa; myself — Denmark, Pakistan, Portugal.

Mr. Bennett has spoken to Mr. Howe, who will be prepared to make the proposed statement in the House during the week of February 11.

J.L. COUILLARD

[PIÈCE JOINTE/ENCLOSURE]

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM E-175

Ottawa, February 1, 1957

CONFIDENTIAL. IMMEDIATE.

Reference: Our letter number E-1021 of December 28.†

Repeat Washington.

Repeat for Information Paris, CANAC Paris, Bonn (Immediate) and Permis New York (Routine).

By Bag Canberra, Brussels, Copenhagen, New Delhi, Tokyo, Karachi, Lisbon, Cape Town, Stockholm, Berne.

EXPORT OF URANIUM FROM CANADA

We set out below the text of an aide mémoire which we shall transmit to the Ottawa representatives of the UK and US governments on Monday, February 4. As the text explains, the information contained will be transmitted on February 6 to Ottawa representatives of Australia, Belgium, Denmark, France, Germany, India, Japan, Pakistan, Portugal, South Africa, Sweden and Switzerland. This group of 12 contains 4 friendly uranium producing countries and 8 countries which have expressed an interest in obtaining uranium from Canada.

You should transmit the substance of the aide mémoire to the UK and US governments on Monday, February 24. We do not propose, however, that the text should be delivered in other capitals on February 6; the delivery to these other governments will take place in Ottawa only. We are therefore sending this telegram (in some cases by bag) to our missions in those other capitals solely for information.

It is expected that Mr. Howe will make an announcement in the House during the week of February 11 containing the substance of the information contained in the aide mémoire.

Text of the aide mémoire is as follows:

"The Department of External Affairs wishes to inform ______ that the Canadian government has decided upon the general terms upon which it is prepared to negotiate with other friendly governments for bilateral agreements for cooperation in the peaceful uses of atomic energy, covering in particular the supply of natural uranium by Canada. The governments of the United Kingdom and of the United States are being informed of these terms to-day both in Ottawa and in the two capitals concerned; it is the intention that the terms shall be made known in confidence on February 6 to the governments of certain other friendly countries, including both uranium producers and prospective purchasers, and that a statement outlining the terms shall be made in the House of Commons probably during the following week. Thereafter negotiations may be entered into with any friendly government wishing to conclude a bilateral agreement on these terms.

The general terms referred to are as follows:

(i) The Government of Canada is now prepared to enter into negotiations with friendly governments directed towards the conclusion of bilateral agreements for cooperation in the peaceful uses of atomic energy, covering in particular the supply of natural uranium for such uses in those countries.

(ii) For reasons of supply the amounts of uranium which can at present be made available in accordance with such agreements are limited to research quantities; nevertheless it is believed that these quantities will be sufficient to meet the current requirements of most governments known to be interested in obtaining uranium from Canada.

(iii) The Canadian Government believes that international transactions in fissionable materials for peaceful uses should be subject to effective safeguards against diversion to other uses, in order that such materials may be freely supplied by producing countries and available to importing countries for peaceful uses with assurance for all against abuse. This concept is embodied in the statute of the International Atomic Energy Agency. It is the intention of the Canadian Government, therefore in accordance with its support of the principles of that statute, that the agreements envisaged in (i) above provide for adequate safeguards, similar to those contemplated in Article XII of the Statute, against diversion of the uranium supplied and of fissionable products thereof to other than peaceful uses. The Canadian government hopes that governments wishing to conclude such agreements will join with it in requesting the Agency to apply appropriate safeguards.

(iv) Except for the provision mentioned in (iii) above, the Canadian Government under such agreements will expect to supply uranium to other governments on a normal commercial basis.

The Department of External Affairs will be grateful if this information is treated as confidential until a public statement is made by the Canadian government.[15]

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804. C.D.H./Vol. 5

Le président d'Eldorado Mining and Refining Limited au ministre du Commerce

President, Eldorado Mining and Refining Limited to Minister of Trade and Commerce

CONFIDENTIAL Ottawa, February 27, 1957

Dear Mr. Howe,

As you are aware, the French Government approached us about a year ago as to the possibility of purchasing 1,000 tons of uranium, deliveries to be made over a three-year period commencing in 1958. We found it necessary to advise the French that this quantity could not be made available in view of existing contractual commitments. Apart from the problem of availability, we had not determined what our export policy should be for countries other than the United States and the United Kingdom. For obvious reasons, no great stress was put on this second point in our discussions with the French.

When it was decided that we would be in a position to make available 200 tons per year under Bilateral Agreements, I inquired of the French Atomic Energy Commission as to whether it was still interested in purchasing uranium from Canada. I indicated that we might be in a position to make available up to 50 tons per year. Concurrently with my inquiry the Department of External Affairs advised the French Government of the general terms under which the Government of Canada would enter into Bilaterals. Doctor Goldschmidt, one of the senior officers of the French Atomic Energy Commission, advised me that the Commission would be interested in purchasing 50 tons per year over a five-year period under a Bilateral Agreement. Doctor Goldschmidt came to Ottawa last week for the purpose of discussing with Eldorado contract terms and for the purpose of discussing with the Department of External Affairs a Bilateral Agreement. The discussions on the sales contract were reasonably satisfactory, although Goldschmidt advanced the proposition that controlled uranium should be sold at lower than the going price. However, it was evident from the discussions that the French were unhappy about control provisions in a Bilateral Agreement. At a meeting held later in the week with the Department of External Affairs, which was attended by the French Ambassador and Goldschmidt, we were advised that instructions had been received from Paris that the French Government could not accept the control provisions proposed in our Bilateral Agreement. While no specific reason was given for this attitude, it is our impression that France is either now engaged in a military programme or is making plans to get into a military programme. In such circumstances it would be difficult, if not impossible, to enforce the control provisions contemplated in our Bilaterals — even if they were acceptable to the French Government.

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[15] Howe a annoncé le 18 février 1957 la politique du gouvernement pour l'exportation de l'uranium. Pour le texte, voir Canada, Chambre des Communes, *Débats*, 1957, volume II, p. 1425.
Howe announced the government's uranium export policy on February 18, 1957. For the text, see Canada, House of Commons, *Debates*, 1957, Volume II, p. 1365.

I am advising you of these developments in view of Premier Mollet's impending visit to Ottawa. Bob Bryce has given a similar briefing to the Prime Minister. We have no reason to believe that the question will be raised during Premier Mollet's visit, but there is the possibility that a proposal might be made that Canada should sell uranium to France without controls — that is, on the same basis that we are selling uranium to the United States and to the United Kingdom. In considering such a policy account would have to be taken of our relations with other friendly governments which have indicated interest in purchasing uranium under Bilateral Agreements. If an exception were made in the case of France, it might be difficult to maintain our control policy in other Bilaterals. Certainly before any final decision is made it would be advisable that we should consult both the United States and the United Kingdom, since we have maintained thus far a common position on the question of controls.

Yours sincerely,
W.J. BENNETT

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805. PCO/R-100-1-U

Le sous-secrétaire d'État aux Affaires extérieures
au greffier du Conseil privé

Under-Secretary of State for External Affairs
to Clerk of Privy Council

SECRET

Ottawa, March 4, 1957

Dear Mr. Bryce:

THE EXPORT OF URANIUM BY CANADA

You will have seen the paper entitled "Euratom and the Export of Uranium by Canada" which was prepared for the Prime Minister in connection with Mr. Mollet's visit[16] and of which a copy is attached for convenience of reference.

It is argued in that paper that important political decisions will be required in connection with the possible export of uranium to France and also to Euratom. These decisions would relate to questions which were not considered by Ministers at the time that they agreed upon the uranium export policy recently announced by Mr. Howe. Under the announcement policy it would be possible to negotiate bilateral agreements to cover the supply of uranium for peaceful uses with a number of countries, including possible prospective members of Euratom other than France; nevertheless it would appear desirable that these political questions should be faced and the Government's position on them determined as far as possible before we become deeply committed in negotiations with any prospective member of Euratom and perhaps even with any Western European country. As we are being pressed by France, Germany and Switzerland in particular, it would appear to me desirable that these important political questions should be taken up in the near future.

In the attached paper there is explained the limited extent upon our present knowledge and understanding of United States and United Kingdom views on the problems in question. The Government would scarcely wish to take a position on these matters without a pretty full knowledge of the views of those other two governments; indeed I have already informed the French Ambassador that the particular French request raises questions upon which the Government would almost certainly wish to consult the United States and the United Kingdom.

In these circumstances it would seem to me desirable that we should have some preliminary discussion of these matters at an early date, at which time we might agree upon the manner in which U.S. and U.K. views should be sought. It would appear to us that the approval of Ministers should be obtained prior to any approach to these two governments, or alternatively we might conclude that enquiries could be made first and the matter put before Ministers only when some preliminary indication of U.S. and U.K. views has been obtained. Apart from the question of consultation with these other two governments, we might also wish to consider whether a paper similar to the one attached should be put before Ministers now for their information.

If you agree that an early meeting would be desirable, perhaps you would wish to convene a meeting to be attended by Mr. Bennett, Mr. Taylor and General Foulkes as well as ourselves. I would suggest adding General Foulkes to the group which recently has been concerned with these matters because in the present situation the probable future role of atomic weapons within the NATO lines and elsewhere would be of importance.

Yours sincerely,

JULES LÉGER

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[16] Pour le compte rendu de la visite de Mollet à Ottawa, voir le document 445.
For an account of Mollet's visit to Ottawa, see Document 445.

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

SECRET

EURATOM AND THE EXPORT OF URANIUM BY CANADA

M. Mollet's staff have told our Embassy in Paris that he will be interested to discuss, in connection with Euratom, "the problem of obtaining supplies of uranium and in particular his view that control of fissionable materials at the disposal of the Agency should ultimately be taken over by Euratom". We have been told that on this as on other questions it is not M. Mollet's intention to seek definite agreements on any of the matters that might be discussed, but rather to exchange views fully and confidentially. Nevertheless in discussion of the supply of uranium to Euratom there should be borne in mind the latest developments relating to the French request for a bilateral agreement covering the supply of uranium to France. The treaty constituting Euratom, incidentally, is expected to be signed, probably on March 14, together with the Common Market Treaty; the two are politically related within the general context of the six-power European integration movement.

For well over a year French authorities have expressed interest in obtaining uranium from Canada, and it emerged some time ago that they would not wish the uranium supplied to be subject to controls. On February 18 Mr. Howe announced the general terms on which the Government is prepared to conclude bilateral agreements covering the supply of uranium for peaceful uses. That same week, as it happened, the French Ambassador and a senior official of the French Atomic Energy Commission called on Mr. Léger to explain the French position in detail. France would be prepared to purchase the relatively small quantity of uranium which Canada could now make available to France; but this amount would constitute only about 10% of the uranium available to France from domestic resources. We have some reason to believe that France already is or soon will be engaged in the development of atomic weapons, a supposition which the remarks of Mr. Lacoste and his colleague did nothing to dispel. Regardless of the end use intended, all uranium used in French atomic reactors will for the foreseeable future have to be processed after irradiation in a single plant where its origin will become undetectable, and accordingly effective controls on any part of that uranium would in practice involve inspection of all or most of the entire French programme and could not be limited merely to the uranium which might be supplied by Canada. Understandably enough, the French Government is not prepared to permit Canada to exercise such controls. They are, however, prepared to provide full assurances that the purely peaceful part of their programme will use a substantially greater portion of the total uranium available to them than the relatively small fraction which might be provided from Canada.

Hence the French request is that Canada provide uranium to France without controls but with assurances that more than the quantity of uranium supplied by Canada will be used for peaceful purposes only. It is suggested that this will meet the Canadian requirement that uranium exported from Canada will not be used for military purposes (except, by special agreement, by the United Kingdom and the United States).

The policy recently announced by Mr. Howe on behalf of the Government is not really applicable to such a situation. Although the explicit limitation is that uranium supplied by Canada shall not be used for military purposes, the underlying assumption was that uranium would be supplied to countries not engaged in a weapons programme. The situation of a country such as France which might want Canadian uranium for peaceful uses while having uranium available from other sources for a weapons programme was not considered. The supply of uranium in these circumstances, even though for peaceful uses, would indirectly assist the weapons programme by increasing the total quantity of uranium available to the country in question for its combined military and civil programme. The particular French request gives rise to an additional problem in that it would require us to accept assurances in place of actual inspection and control, thus requiring in turn a political judgment on each individual application of this type which might be received. The announced Canadian policy was designed to be universally applicable, with the requirement for controls eliminating the need for such political judgments.

These same problems, unfortunately, would appear likely to arise in connection with the supply of uranium to Euratom if it comes into being in the form now contemplated. Originally it was proposed that countries acceding to the Euratom treaty would renounce the production of atomic weapons, and that all fissionable materials available to the community would be controlled by a central purchasing agency with safeguards to ensure that no such material was used for any military purpose. As France was not prepared to give up the right to produce atomic weapons, however, the other prospective members have apparently accepted (with greater or lesser reluctance) a totally different concept. According to our most recent information there will still be the central purchasing agency controlling all available fissionable materials and allocating them by agreement among the various national programmes on the basis of requests from the individual member governments. Such requests, however, may relate to either peaceful or military uses, and provided it is collectively agreed to meet them the production of weapons may be undertaken by one or more member governments within the general framework of Euratom's programme. (A special limitation applies in the case of Germany, which is precluded by the Paris Agreements of 1954 from the production of atomic weapons). Hence the supply of uranium to Euratom or to any individual member of that community could indirectly assist the production of atomic weapons by increasing the total supply available for allocation to both peaceful and military uses within the community as a whole.

The preceding paragraphs carry some implication that the production of atomic weapons by France or other countries of Western Europe is undesirable. It has certainly been the position of the Governments of the United States, the United Kingdom and Canada that the widespread or uncontrolled production of atomic weapons should be prevented if possible. In negotiations about a year ago relating to the establishment of the International Atomic Energy Agency, representatives of the United Kingdom and United States Governments expressed the view that the production of atomic weapons by any country other than those already making them should be opposed. Canadian representatives were not so categorical, so as to preserve a flexible position for the Canadian Government to determine its future course in the light of developments.

It may be questioned, however, whether this general situation still exists. For some two years NATO plans have developed on the assumption that atomic weapons would be used in a full scale war, and that NATO forces should be in a position to use them. This implies that forces of other NATO countries, as well as those of the United Kingdom and the United States, should be trained to use these weapons and should be provided with them in the event of war. In recent months developments have taken place which appear likely in due course to bring this new situation into being, possibly to lead eventually to the stockpiling of atomic weapons in the hands of forces of a number of NATO countries. It might be difficult, in such circumstances, to continue to oppose the production of such weapons by countries like France (or even Germany) which would be expected to use them and might be in a position to make their own.

Moreover, France has domestic supplies of uranium and if she is determined to do so can make atomic weapons with or without the approval of other governments. It is possibly in recognition of this fact, and on the ground that if France is going to make such weapons anyway it would be desirable to have her do so by collective agreement rather than in isolation, that the United States in announcing its support of Euratom has promised explicitly that the proposed community need never run short of atomic fuel. This commitment must surely have been made in awareness of the fact that the Euratom treaty will permit the production of atomic weapons by member countries, and that the provision of fuel to the community would facilitate such production.

As a final consideration, it should be pointed out that a decision on the part of Canada, the United Kingdom and the United States to condone or assist the production of atomic weapons by countries of Western Europe would have profound effects upon the general concept of international control of atomic resources. That concept, as embodied in the Statute of the International Atomic Energy Agency, implies that all countries should be prevented or impeded from producing atomic weapons. It was accepted with reluctance by many governments, in particular those of under developed countries led by India; these critics pointed out that it was inequitable in that an exception had of necessity to be made for the three great powers (the United Kingdom, the United States and the U.S.S.R.) already producing atomic weapons. If that exception were to be extended to include NATO countries in Western Europe, it would be regarded as an extension designed to cover the white colonial powers and discriminate against the under developed and anti-colonial countries. The effects upon the International Agency and upon co-operation in atomic and other matters with these countries would undoubtedly be serious.

It would therefore appear that the supply of uranium by Canada either to France or to Euratom would raise a number of important political questions which have not as yet been considered by the Government. In these circumstances it would perhaps be advisable, in discussions with M. Mollet, to give some general indication of the complex political questions involved and to avoid any explicit commitment. Mr. Lacoste has already been told that the French request mentioned above is not directly covered by the policy recently announced by Mr. Howe, and would require important political decisions concerning which the Government would probably consider it necessary to consult the United States and the United Kingdom. It would appear desirable that there should be such consultation fairly soon, since several Western European countries (including, incidentally, West Germany) are pressing for agreements to cover the supply of uranium. Even if others are prepared to accept Canada's announced terms (as seems quite probable) it would be well to have a clearer position on the French request before coming to a decision on others. In all of this, as indicated above, the present views of the United States and the United Kingdom are by no means fully known or understood.

806. DEA/14002-2-6-40

Note du chef de la Direction économique pour le sous-secrétaire d'État aux Affaires extérieures

Memorandum from Head, Economic Division, to Under-Secretary of State for External Affairs

SECRET [Ottawa], April 23, 1957

PROBLEMS RELATING TO THE EXPORT OF URANIUM

The discussion at Mr. Bryce's meeting this morning will be based on the question of what conditions Canada will impose on the export of uranium under various circumstances.

2. Canada exports uranium to the United States without conditions concerning the use to be made of it, and will shortly do the same for the United Kingdom. It is known that both countries conduct atomic weapons programmes and that the supply of uranium from Canada directly or indirectly assists those programmes. On the other hand, Canada has announced that she is prepared to conclude agreements with all "friendly governments" for cooperation in the peaceful uses of atomic energy, to cover in particular the supply of uranium by Canada. The Government has stated that such agreements will include provision for safeguards adequate to protect against diversion to military use.

3. France wishes to supplement its domestic production of uranium by importing a certain amount from Canada, and is unwilling to accept the application of safeguards to this import. France has pointed out that the Canadian and French uranium would be merged in the French programme, that to be effective the safeguards would have in practice to apply to this entire programme, and that the Canadian uranium would be only some 10% of the total. France is not prepared to accept foreign controls on her entire atomic programme in return for a marginal increase in her uranium supply. Underlying this situation is the fact that France reserves the right to produce atomic weapons and may indeed have got fairly well on with the prerequisite research and development. As an alternative, however, France has offered to give formal assurances that the quantity of uranium used for purely peaceful ends will exceed the amounts which may be supplied from Canada.

4. In summary, therefore, France would like to obtain Canadian uranium, as do the U.S. and the U.K., without any conditions, but if necessary is prepared to give assurances that any uranium which may be supplied from Canada will be less than that used in France's peaceful programme. France will not accept safeguards, and will not give assurances that she will have no military programme which the Canadian uranium might directly or indirectly assist.

5. The paper prepared in the Privy Council Office after the last discussion of these matters is directed to the general problem raised by the French request. Assuming that the ultimate objective is to discourage the production of atomic weapons by "fourth powers" such as France, or failing that to ensure that Canada shall not assist such production by any "fourth power", the paper proposes a course which might well help to solve the particular difficulty about export of uranium to France and at the same time meet another problem which has arisen in the NATO context. It is suggested in essence that the United States should undertake to provide atomic weapons for defence purposes as NATO mutual aid and subject to the various checks applicable to such aid. This would meet the NATO requirement that NATO forces be prepared if necessary to fight an atomic war, would provide fairly effective restraints against unilateral or irresponsible use of these weapons by

other NATO countries, and, as a major point, would create a situation in which other NATO countries might easily be induced to defer any plans they might have for producing such weapons themselves.

6. The paper suggests that in these circumstances it would be possible to supply uranium to other NATO countries subject to safeguards, as such countries having no military atomic programme could accept this requirement. This suggestion may be considered optimistic. The objections to safeguards on the part of uranium importing countries are several, and by no means all dependent upon the wish to be free to produce atomic weapons. Particularly in the case of France, but no doubt for others also, there is a prestige factor of importance. To accept safeguards means allowing an outside power to determine what you can and cannot do; it involves a derogation of sovereignty. In the case of France it means accepting a status inferior to that enjoyed by the United States and the United Kingdom. Effective safeguards, moreover, are burdensome and costly; there is little doubt that Canada would expect the cost to be added to the purchase price and paid by the recipient government. Finally, other NATO governments would probably take the line that in return for U.S. atomic weapons they are foregoing manufacture themselves; in these circumstances Canada should be prepared to take their word for it, particularly when we are joint members of an alliance of which the defence planning requires that they should have access to such weapons. To illustrate the fact that reluctance to accept safeguards does not depend directly upon the intention to produce weapons, it may be mentioned that Switzerland and India (neither of which is likely in the foreseeable future to attempt to produce atomic weapons) have both declared that they will not accept controls upon natural uranium. Indeed in the broader international context, the considerable opposition to safeguards has focussed sharply on the consequent interference in peaceful activities and no country other than France has shown any concern at the direct result of being deprived of atomic weapons.

7. At this point there should be recalled Canada's object in proposing that safeguards be applied to the export of uranium for peaceful use. Many countries, if they were prepared to undertake the expense of producing atomic weapons, could probably find the necessary uranium domestically. For most, such domestic supplies would be substantially more expensive than uranium obtained from established producers, but this difference in cost might well be relatively small (for a programme of modest volume) in comparison with the very heavy cost of producing the weapons. Canada's object was not solely to prevent or discourage the production of atomic weapons by "fourth powers". Perhaps more important was the hope of establishing a pattern which would permit international trade in uranium (and indeed other atomic commodities) for peaceful use to take place widely on a normal commercial basis. Such a pattern, with automatic assurance that the use would in fact be peaceful, would permit sale to almost any country without the necessity for a difficult and uncertain political decision on each individual application.

8. It was therefore considered important that the requirement for safeguards should be applied universally as far as possible, whether or not it was considered necessary in every case to have that complete assurance against military use. Each exception would make it more difficult to insist on safeguards in other cases. The exceptions for the U.S. and U.K. could be readily explained on two counts, the historic tripartite partnership of the last war and the fact that Canada was prepared publicly to assist atomic weapons production by those two countries. But to make further exceptions would put the whole policy in jeopardy; France would be followed by Germany, then by other NATO countries, and if the white colonial powers of Europe were to obtain uranium without controls it would become very difficult politically to apply them to others.

9. Mr. Pearson's comments on the Privy Council Office paper (attached) show that he quickly recognized this difficulty. He referred to India and Pakistan and asked how we can distinguish between NATO and other friendly states. His question actually related to the possession of atomic weapons, not the supply of uranium without safeguards, but there is a close parallel. In either case, an answer might be that membership in NATO involves a specific obligation to assist in the collective defence programme, both nationally and through mutual aid, and that this obligation is the justification for applying towards NATO members policies not applicable to other friendly states which have not accepted such mutual defence obligations.

10. To sum up these observations, it may be noted that atomic weapons could become available to NATO forces, without their production by "fourth powers", through their supply by the United States. This in itself would be desirable. If, as a result, other NATO countries (including France) were willing to accept safeguards on uranium supplied from Canada, this would be an additional benefit. It is questionable, however, whether this latter result could be obtained; it seems more likely that several western European countries will not accept safeguards. If this proves to be the case, Canada would have to face an unpleasant choice; one course would be to hold to the requirement for safeguards and probably lose attractive markets either to other less scrupulous suppliers or to high-cost uranium produced domestically by the would-be purchasers, while the other would be to forego the requirement for safeguards and probably see uranium soon become available to all countries without any international control over its use and with non-economical factors determining price to the detriment of market stability.

11. The meeting will no doubt consider whether this choice has now to be faced, or whether some synthesis can yet be achieved. It may also wish to give preliminary consideration to the draft bilateral agreement (copy attached†) designed to incorporate effective and virtually complete safeguards. This draft was circulated a few days ago to those attending the meeting.

J.L. COUILLARD

[PIÈCE JOINTE/ENCLOSURE]

Projet d'une note du Bureau du Conseil privé pour les ministres

Draft Memorandum from Privy Council Office to Ministers

SECRET

Ottawa, March 21, 1957

NUCLEAR WEAPONS AND URANIUM EXPORT POLICY

The Immediate Problems

Canada has for some time been concerned to confine the possession and manufacture of nuclear weapons to as few countries as possible. We have pursued this end because of the clear danger to peace which will result if these weapons are possessed by unstable or irresponsible governments. The Canadian government has not yet, however, formulated a policy in regard to its own requirements for nuclear weapons, nor has it considered what might be the need of NATO member nations other than the U.K. and the U.S. These problems have now been brought sharply forward because of difficulties which have arisen concerning the export of Canadian uranium.

2. It has been intended that Canadian uranium would be sold to purchasers, apart from the U.S. and the U.K., under bilateral agreements which would limit the use to peaceful purposes and would apply controls to this end. These controls would either be operated by the International Agency for Atomic Energy, if that is agreeable to the purchaser, or by Canada on a basis consistent with control standards set forth in the Agency's statute. A public statement to this effect was recently made by the Minister for Trade and Commerce.

3. It has been realized that sooner or later it would be necessary to decide whether or not Canada was prepared to sell uranium for use in weapons by friendly countries other than the U.S. and the U.K. It was considered, however, that such a decision should and could be separated from any decision relating to the export of uranium for peaceful purposes. In fact it has been Canadian policy to make a clear distinction between the supply of uranium for peaceful purposes and the supply of it for weapons. Only in the case of the U.S. has any decision been made with regard to supply for the latter purpose.

4. Nevertheless Canada is about to enter into contracts with the U.K. to supply uranium for peaceful purposes, and these contracts are being made in the knowledge that the U.K. will also be purchasing uranium for weapons' purposes. In this case, and contrary to our present policy, no effort is being made to distinguish the uses to which the U.K. purchases might be put and to apply safeguards. Indeed where a weapons' programme exists the application of safeguards to a part of the uranium supplied would be pointless, and it does not appear possible for Canada to maintain consistently the distinction referred to in the preceding paragraph.

Present Policy and the Attitude of France

5. It now appears necessary for a decision to be made as to whether Canada is willing to assist, either directly or indirectly, in the acquisition of nuclear weapons for defence purposes by the European members of NATO. A decision in principle will have a direct effect upon Canadian policy for the export of uranium. This is well illustrated by a request from France[17] to purchase 50 tons of uranium for peaceful purposes. France has reserved the right to undertake an atomic weapons' programme, and as a result this right has been recognized for any member under the draft treaty for Euratom. The proposed purchase by France will constitute about 10% of her atomic fuel requirements. All irradiated fuel rods will be processed in one plant for the extraction of plutonium; therefore any controls which Canada might wish to exercise would have to be exercised over the whole French programme. The French government cannot accept such controls. Instead it offers to guarantee that at any given time more than 10% of its uranium — i.e. more than the amount supplied by Canada — will be devoted to peaceful purposes.

6. However it is quite clear that in this case, or in the case of any purchaser that might embark on an atomic weapons' programme, the amount of uranium supplied by Canada could in effect release an equivalent amount for military purposes. Such an effect would be inconsistent with the stand which Canada has taken in the international negotiations for control provisions in the statute of the International Agency. On the other hand a refusal to

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[17] Note marginale :/Marginal note:
& India [J. Léger]

supply uranium to friendly[18] nations might adversely affect the export of an important Canadian product,[19] and might only be to the advantage of less scrupulous suppliers.[20]

Views of Officials on the Central Issue

7. A group of officials has met to consider these problems and has reached the conclusion that it would be dangerous to pursue any policy which would indirectly assist additional countries to embark on an atomic weapons' programme. In particular the group was of the opinion that every effort should be made to prevent the manufacture of large strategic weapons and the development of forces designed to deliver them. Nevertheless it did not seem possible to deny to our NATO partners the right in principle to possess atomic weapons.[21] It did seem possible, however, that in practice this right might effectively be limited to the possession of short range weapons of limited power designed for defensive and tactical purposes. The possession of only limited weapons is less likely to cause a country to embark on a dangerous military adventure, and less likely to cause a potential enemy to take preventive action.

Canadian and NATO Weapons' Requirements

8. Any decision as to what policy Canada might pursue to limit the possession of atomic weapons among our NATO partners must take into account what our own requirements may be. Before long a decision will have to be taken as to whether Canada will use nuclear anti-aircraft weapons as the U.S. airforce does in the air defence of North America. If the decision is that we shall require these weapons, then we can hardly pursue an effective policy that would prohibit them to our NATO partners.[22]

9. The group of officials has noted that at the NATO Council of Ministers held in December 1956, the U.S. Secretary of Defence stated his government was now prepared to make available certain new weapons to member nations for tactical defensive purposes. These include the Honest John, Nike and Matador missiles which would not, however, in the first instance be armed with atomic warheads. It is believed that this represents the first stage of a plan whereby eventually the U.S. government will be prepared to provide their NATO partners with atomic warheads — thus providing NATO with an atomic potential to be used for tactical purposes as contemplated in SACEUR's plans. At present U.S. units within NATO already possess these weapons.

Proposals for a New NATO Policy on Nuclear Weapons

10. It appeared to the group of officials that Canada could support in principle a policy designed to provide our NATO partners other than the U.K. and the U.S. with tactical nuclear weapons for defence purposes.[23] Within the framework of such a policy NATO members could reserve their rights with respect to an atomic weapons' programme. In practice, however, they might be expected to find it unnecessary to divert their atomic

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[18] Note marginale :/Marginal note:
NATO [L.B. Pearson]

[19] Note marginale :/Marginal note:
How can we distinguish between NATO and other friendly states [L.B. Pearson]

[20] Note marginale :/Marginal note:
Furthermore, it could be argued that it would weaken NATO military potential. [J. Léger]

[21] Note marginale :/Marginal note:
We have criticised the USA for doing this [L.B. Pearson]

[22] Note marginale :/Marginal note:
I agree [L.B. Pearson]

[23] Note marginale :/Marginal note:
What about other Commonwealth countries eg India [and] Pakistan? [L.B. Pearson]

programmes from peaceful purposes, both because of economic considerations and because of the desirability of all members having standardized weapons. It is true that economic considerations did not prevent the U.K. from embarking on a weapons' programme, but this was begun at a time when the U.S. government was not prepared to provide the kind of assistance that now appears possible. A policy of the kind set out above would in fact satisfy the real requirements of NATO members, it would permit the prestige that goes with the possession of nuclear weapons, and would not create in as acute a form the political difficulties which in countries such as France would beset a government that abandoned the right to a weapons' programme.

11. The readiness of NATO members to accept this proposal might be sharpened if it appears to them that only by exceptional economic sacrifices could they obtain the larger nuclear weapons. It would therefore seem advisable that tactical nuclear weapons should be provided to NATO members by the U.S. under mutual aid and consequently subject to the usual right of inspection. If the provision of tactical weapons were made subject to the right of inspection, and if any country embarking upon a weapons' programme of its own were required under the agreement to return to the U.S. all tactical weapons provided under mutual aid, an important incentive would be provided to countries such as France to abandon its plans[24] for the manufacture of weapons.

Effect of the New Policy on Uranium Export from Canada

12. If such a policy were successful it would then follow that Canada could sell uranium to NATO member countries for peaceful purposes under bilateral agreements which would require the application of controls consistent with those set forth in the statute of the International Agency. This would be possible because under the proposed policy the countries would not in fact have weapons' programmes. A clause in each bilateral agreement could make the continued supply of uranium contingent upon revision if at any time the other party to the agreement informed the Canadian government that it intended to embark on a weapons' programme; the agreement could be similarly revoked by Canada if intelligence sources indicated that a country intended to undertake the manufacture of weapons without announcing its intentions.

Effect of the New Policy on Non-NATO Countries

13. The group of officials considers that in any sales of uranium made outside the NATO area — for instance, to India — Canada should continue to insist on the requirement for controls. It is recognized that non-NATO nations would be likely to raise objections on the grounds that since they were not included in the provision of tactical atomic weapons, and since they were permitted to purchase uranium for peaceful purposes only, their power to defend themselves was being unreasonably reduced.[25] It seems possible that this attitude might at least be moderated if aid for the development of peaceful programmes is made sufficiently attractive. The possibility also exists that some additional countries might be supplied with tactical weapons by the U.S. under other alliances — particularly if it appears that the U.S.S.R. is supplying such weapons to peripheral nations.

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[24] Note marginale :/Marginal note:
not to implement whatever plans it may have [L.B. Pearson]

[25] Note marginale :/Marginal note:
? [L.B. Pearson]

Implementing the New Policy

14. If the Canadian government is disposed to consider this policy, a preliminary step would seem to be consultation with the U.K. and the U.S. It seems unlikely that the U.K. would be able to resist the logic of this approach to the problem in view of their attitude expressed at the Prime Ministers' conference in June of last year, their arguments in support of their current reduction of forces, and their desire to supply reactors and reactor parts to their European neighbours. It seemed probable to the group of officials that an approach might be made to U.S. officials by informal discussions through diplomatic and military channels.

15. It is suggested that after careful consideration Canada might be in a position to give impetus to this plan by itself accepting the principles on which it is based. This would mean a decision that in so far as Canada required tactical nuclear weapons for defence purposes it would obtain them from the U.S. rather than by manufacture. Canada would, however, still reserve its right in principle to manufacture nuclear weapons if at any time it wished to do so. An assessment of the cost of these weapons would have to be made, and a further decision would be required as to whether we were prepared to pay the U.S. for them or whether they should be obtained from the U.S. under mutual aid or some loan arrangement.

16. In order to provide a clear intention of good faith, it is proposed that Canada should be prepared to supply the raw uranium content of any nuclear weapons provided by the U.S. to its NATO allies. Thus as a supplier of uranium Canada could not be accused of promoting this plan in order to enlarge its sales. A practical way for Canada to make this contribution would be by bearing on our Mutual Aid Vote an appropriate amount of the cost of the uranium being furnished to the U.S. However, before making any firm commitment to this effect, we should have to explore carefully the anticipated costs involved.[26]

Matters for Decision

17. The group is of the opinion that its recommendations represent a practical solution which may effectively prevent the uncontrolled development of atomic weapons' programmes, meet Canada's own defence requirements, and permit the exercise of consistent controls in accordance with the provisions of the statute of the International Agency within the limitations imposed by the defence requirements of the western allies.

18. Decisions would seem to be necessary on the following points:

(i) Does the government accept the view that the most practical method of preventing the development of large strategic weapons by NATO members other than the U.K. and the U.S. is by a policy facilitating the possession of smaller tactical weapons?[27]

(ii) Should Canada encourage a policy whereby smaller tactical weapons are supplied to NATO members by the U.S. under Mutual Aid?

(iii) Does Canada contemplate the use of tactical atomic weapons, and would it accept the same position as other NATO members under the proposed policy for the supply of small tactical weapons?

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[26] Note marginale :/Marginal note:
In other words, we are supplying uranium for military use to a selected group of states [L.B. Pearson]

[27] Note marginale :/Marginal note:
on condition that they don't make any of their own — tactical or strategic [L.B. Pearson]

(iv) Should Canada, after an examination of the financial considerations involved, give impetus to the proposed policy by offering to supply under mutual aid uranium for tactical purposes to be furnished to NATO members?

(v) Should Canada open informal exploratory talks with the U.S. and the U.K. with a view to obtaining their views upon the policy suggested?

(vi) If this policy were to be followed could Canada insist upon the exercise of controls over uranium sold (a) to NATO members other than the U.K. and the U.S., and (b) to non-NATO countries?[28]

Note éditoriale

Editorial Note

Les efforts interministériels déployés pour rédiger un mémoire acceptable par les ministres ont continué pendant les six semaines suivantes et ont donné lieu à trois autres volumineuses ébauches d'exposés de principes. L'idée de demander aux membres de l'OTAN de renoncer à leur droit de fabriquer des armes nucléaires a été abandonnée peu après les élections fédérales de juin 1957 pour des raisons qui restent obscures après consultation de la documentation. (Dans les dossiers MAE 14002-2-6-40 et BCP R-100-1-U.) Les fonctionnaires ont préparé par la suite un mémoire sur l'exportation d'uranium, plus concis et de portée sensiblement plus limitée, qui a été présenté aux ministres en août 1957. Il sera réimprimé dans le volume 24. Le problème de l'exportation d'uranium dans les pays susceptibles de fabriquer leurs propres armes nucléaires a fait également l'objet de discussions avec le gouvernement britannique lors des entretiens de Saint-Laurent avec Macmillan dans les Bermudes. Voir le volume 22, document 735.

The inter-departmental effort to draft an acceptable memorandum for ministers continued for the next six weeks and resulted in three more lengthy draft position papers. The idea of asking NATO members to renounce their right to manufacture nuclear weapons was abandoned shortly after the June 1957 federal election for reasons which are not clear from the files. (This material is located on DEA 14002-2-6-40 and PCO R-100-1-U.) Officials subsequently prepared a shorter, and much less ambitious, memorandum on the export of uranium that was presented to ministers in August, 1957. This will be reprinted in Volume 24. The problem of exporting uranium to countries likely to manufacture their own nuclear weapons was also discussed with the British during St. Laurent's meetings with Macmillan in Bermuda. See Volume 22, Document 735.

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[28] Note marginale :/Marginal note:
how could we [L.B. Pearson]

3e PARTIE/PART 3

ACCORD CANADO-AMÉRICAIN DE COOPÉRATION SUR LES UTILISATIONS CIVILES DE L'ÉNERGIE ATOMIQUE
CANADA-UNITED STATES AGREEMENT FOR COOPERATION ON THE CIVIL USES OF ATOMIC ENERGY

PCO

807.

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

[Ottawa], June 21, 1956

SECRET

Present

The Prime Minister (Mr. St-Laurent) in the Chair,
The Minister of Trade and Commerce and Minister of Defence Production (Mr. Howe),
The Minister of National Health and Welfare
and Acting Secretary of State for External Affairs (Mr. Martin),
The Minister of National Revenue (Dr. McCann),
The Minister of Finance (Mr. Harris),
The Minister of Mines and Technical Surveys (Mr. Prudham),
The Minister of Fisheries (Mr. Sinclair),
The Minister of National Defence (Mr. Campney),
The Leader of the Government in the Senate and Solicitor General (Senator Macdonald),
The Minister of Citizenship and Immigration (Mr. Pickersgill).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Martin),
The Economic Adviser, Privy Council Office (Mr. Lamontagne).

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ATOMIC ENERGY; AMENDMENT TO [1955] CANADA-UNITED STATES AGREEMENT ON CIVIL USES OF ATOMIC ENERGY

10. *Mr. Martin, as Acting Secretary of State for External Affairs*, reported that an amendment to the bilateral agreement with the United States on the civil uses of atomic energy, to provide for the exchange of a somewhat wider range of information, had now been negotiated. President Eisenhower had approved the proposal, as the law required. The amendment had to be before Congress for thirty continuous sitting days before it could come into effect and, owing to the fact that Congress might rise somewhat earlier this year than usual, it had been decided, with the approval of the Prime Minister, to authorize the Canadian Ambassador in Washington to sign it as soon as possible, on the understanding that matter would be reported to Cabinet at the first opportunity. He recommended that this report be noted and that signature of the amendment be formally approved.

An explanatory memorandum was circulated.

(Minister's memorandum, June 20, 1956—Cab. Doc. 135-56)†

11. *Mr. Martin* added that it was quite possible that certain minor changes might be proposed by the U.S. in this amending agreement. He suggested that Mr. Heeney have authority to sign as long as there was no major change in substance.

12. *The Cabinet* noted the report of the Acting Secretary of State for External Affairs on the amendment to the Canada-United States bilateral agreement on the civil uses of atomic energy, and confirmed that the Canadian Ambassador in Washington, or his deputy, was authorized to sign the amendment; but that formal authority for this purpose be deferred pending the receipt of the actual text as finally approved.[29]

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[29] Pour le texte de l'entente telle que signée, voir Canada, *Recueil des traités*, 1957, nº 8.
For the text of the agreement as signed, see Canada, *Treaty Series*, 1957, No. 8.

CHAPITRE VIII/CHAPTER VIII

RELATIONS ÉCONOMIQUES INTERNATIONALES
INTERNATIONAL ECONOMIC RELATIONS

PREMIÈRE PARTIE/PART 1

ACCORD GÉNÉRAL SUR LES TARIFS DOUANIERS ET LE COMMERCE
GENERAL AGREEMENT ON TARIFFS AND TRADE

SECTION A

QUATRIÈME RONDE DES NÉGOCIATIONS SUR LES TARIFS DOUANIERS
FOURTH ROUND OF TARIFF NEGOTIATIONS

PCO

808.

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 4-56

Ottawa, January 4, 1956

CONFIDENTIAL

Tariff negotiations under the General Agreement on Tariffs and Trade will open in Geneva on January 18th, 1956. The Contracting Parties to the General Agreement were informed, in pursuance of the Cabinet decision of July 19th, 1955,[1] that Canada proposed to participate in these negotiations.

As a result, an exchange of requests for tariff reductions has taken place with a number of other Contracting Parties. It appears that there is a basis for a fairly narrow but profitable negotiation with the United States and that there is some possibility of conducting useful though limited negotiations with other Contracting Parties, namely: Austria, Benelux, Cuba, Denmark, Federal Republic of Germany, Italy, Norway and Sweden. The purpose of these negotiations would be to reach agreement on tariff reductions on a mutually advantageous basis. The results of these negotiations would be submitted to Cabinet for approval.

It is recommended that the Delegation should consist of the following:

Head of the Canadian Delegation
- Mr. L.D. Wilgress

Head of negotiating team
- Mr. Maurice Schwarzmann (Department of Trade and Commerce)

Alternate head of negotiating team
- Mr. Rodney Grey (Department of Finance)

Other members of the Delegation
- Mr. R.E. Latimer (Department of Trade and Commerce)

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[1] Voir/See Volume 21, Document 121.

- Mr. J. Loomer (Department of Trade and Commerce)
- Mr. B.S. Shapiro (Department of Trade and Commerce)

with an adviser to the Delegation to be appointed from the Department of Agriculture should that Department think it desirable.[2]

L.B. PEARSON

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809. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 112-56 Ottawa, May 15, 1956

SECRET

TARIFF AGREEMENTS NEGOTIATED UNDER THE GATT

On July 22, 1955 Cabinet approved Canadian participation in tariff negotiations with the United States under the General Agreement on Tariffs and Trade, and on January 11, 1956 Cabinet approved the appointment of a delegation to negotiate with the United States and with a number of other countries. These negotiations, which opened in Geneva in January, 1956, have now been completed and a number of agreements have been initialled by the Canadian negotiators. The results of these negotiations are outlined in this Memorandum for the consideration of the Cabinet.

The agreements concluded at Geneva are now being considered by Governments. They are to be signed formally on May 23rd, and are to be kept secret until June 7th.

2. *Results of the Negotiations*

This conference at Geneva was the fourth general round of multilateral tariff negotiations under the GATT. These negotiations were of a more limited character than previous GATT tariff negotiations for reasons that were well understood in advance. Some twenty-five countries including the major trading countries, participated in these negotiations. Canada negotiated and concluded agreements with the United States and twelve other countries. These agreements will result in a moderate reduction of tariff barriers over a wide field and in practical benefits for Canadian exporters of many products in various markets. In addition to the benefits of agreements negotiated directly by Canada, Canadian exporters will gain from the wide range of tariff concessions which participating countries negotiated with each other and which are extended to Canada by the application of the most favoured nation rule.

The concessions agreed to in the Canadian tariff, are, in the main, in Canada's own interest. Well over half the concessions were ones which had been considered for possible inclusion in recent Budgets, and which had been deferred with this negotiation in mind. Bindings of existing rates of duty, rather than reductions, were negotiated to a greater extent than in previous negotiations, and a number of Canadian concessions were negotiated with more than one country. It is not anticipated that the concessions granted by Canada will create difficulties for Canadian producers.

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[2] Approuvé par le Cabinet le 11 janvier 1956./Approved by Cabinet on January 11, 1956.

3. *The United States*

The agreement concluded between Canada and the United States was one of the major agreements resulting from this conference, and contributed substantially to the success of the conference. As will be recalled, the United States Administration was limited in its negotiating powers to granting maximum reductions of approximately 15 per cent of present rates, to be implemented in three stages of 5 per cent over the next two years. This delay in the full implementation of United States concessions was taken into account by Canadian negotiators in determining the nature and extent of the concessions that Canada could offer, on the understanding that Canadian concessions would probably come into effect in one step. The negotiations between Canada and the United States were difficult and protracted, but agreement was reached on the broadest possible basis. This agreement is clearly in Canada's interest and to the mutual advantage of both countries.

United States concessions to Canada in this agreement covered about 100 products. Canadian exports of these products to the United States amounted to $158 millions in 1954. Benefits to Canada resulting from United States agreements with other countries covered, in addition, some fifty items in which trade in 1954 was about $10 million. Maximum reductions were secured from the United States on all the items of real interest to Canada on which the United States Delegation was empowered to negotiate. Almost all the items on which Canadian industries had made specific requests for tariff concessions in the United States are included in the agreement. There were many other items, of course, on which Canada had requested tariff reductions but which the United States had excluded from the negotiations. In particular the United States was not prepared to negotiate on any important agricultural or fisheries items. The concessions obtained are all reductions of approximately 15 per cent of present rates, to be implemented in three annual stages as required by United States legislation. The full reductions will be in effect on or about July 1, 1958.

The United States list of concessions includes a number of chemical products, such as synthetic rubber, vinyl acetate, vanillin, barytes and a number of chemical compounds; a number of metals, including crude aluminum and its alloys, aluminum bars and sheets, steel ingots and billets, ferro silicon; a few agricultural products, such as lettuce, turnips, hay, blueberries; some paper products, such as book and printing paper, wrapping paper and hanging paper; a number of more highly processed products, such as manufactures of aluminum, of iron and steel, of wood and of glass and various types of machinery and electrical goods.

As indicated above, Canada offered a higher proportion of bindings of existing rates of duty than had been negotiated at previous conferences. The trade covered by all Canadian concessions to the United States, including bindings of existing rates, amounted to about $85 million in 1954. Of the 132 tariff items involved, the two principal ones — textile machinery and orange juice — involved no loss of protection to Canadian producers. Of course, the views of other Commonwealth Governments were sought as these concessions involved reductions in margins of preference. No concessions were offered in chemicals, primary iron and steel and other products which are now being investigated or are about to be investigated by the Tariff Board. Canada did not grant concessions on any of the more sensitive products, and many of the major concessions granted (such as textile machinery, orange juice, shrimps and oysters, beer, eviscerated turkeys, lettuce and cauliflower, as well as a number of manufactured products not made in Canada) were concessions which were quite clearly in Canada's own interest and many of which had been requested by Canadian firms or organizations.

4. *Europe*

Canada concluded seven agreements with the following European countries: Austria, the three Benelux countries, Denmark, Germany, Italy, Norway and Sweden. These agreements are of a very limited character, but nonetheless they will serve in some degree to improve and stabilize Canadian exports of a considerable variety of products to these markets. There were very few specific requests from Canadian industry for tariff concessions in Europe. However, it was felt that some useful gains could be made in improving the terms of access of Canadian exports to European countries and, in addition, it was considered important to demonstrate again Canada's interest in further strengthening trade relations with other countries as well as the United States. The European countries appeared to be impressed with the willingness of Canada to try to conclude agreements on the widest possible basis.

Among the more useful concessions obtained by Canada in its agreements with the European countries were: The elimination of duty on salt codfish, flaxseed and woodpulp in Italy; the reduction of the tariff on lumber, methyl alcohol and canned salmon in Benelux and on spark plugs in Denmark; duty reductions on outboard motors, canned lobsters and whisky in Germany and on synthetic rubber and nylon fishing nets in Norway. In addition to these concessions secured directly by Canada, Canada will benefit significantly from the large number of tariff concessions granted by the European countries in their negotiations with the United States, the United Kingdom and among themselves.

In return for these concessions, Canada undertook to bind a number of existing rates of duty, and also negotiated reductions which had been offered in the first place to the United States. It was found possible to offer reductions in the tariff on goods which were of particular interest to various European countries, e.g., mouth organs and cameras negotiated with Germany, cherries in brine, tomato paste and tobacco pipes negotiated with Italy. A valuable concession Canada was able to offer Benelux was the binding of the existing statutory rate on window glass, which is considerably below the rate previously negotiated.

The European countries recognized that they would get at least as much from Canada through successful Canadian negotiations with the United States as they could get directly, and thus they were willing to grant concessions directly to Canada in return for reductions which Canada was negotiating primarily with the United States.

5. *The Caribbean Area*

Canada negotiated agreements with Cuba, the Dominican Republic and Haiti. In the case of these three countries the objective of the Canadian negotiators was to attempt to find concessions in the Canadian tariff on items other than rum and sugar, which were excluded from the negotiation because of the general problem of our relations with the British West Indies. Because of this, the negotiations with these countries were somewhat difficult and necessarily limited in scope. Nevertheless, some concessions of practical value to these countries were found, and small but useful agreements were concluded. The principal concessions offered to Cuba were a binding of the existing duty on rayon fibre used in the manufacture of tires, and a reduction of the duty on high value cigars and cigar tobacco. Other concessions negotiated with the Caribbean countries included reductions of duties on papayas and pineapple in brine, certain manufactures of palm straw and other tropical fibres, green coffee used for the manufacture of coffee extract and dried bananas.

While the Caribbean countries recognized that a real effort had been made to find concessions of interest to them, it may be expected that they will continue to press strongly for improved terms of access to the Canadian market for their major exports.

Among the concessions granted to Canada by the Caribbean countries are duty reductions on aluminum sheets, phosphorus and linseed oil in Cuba; a binding against increase on toys in the Dominican Republic; a duty reduction on oatmeal, and a binding of the duty on salt fish in Haiti.

6. *United Kingdom*

Canada did not negotiate with the United Kingdom. However, as a result of negotiations conducted by Canada and by the United Kingdom with third parties, both countries made limited reductions in preferential margins on a number of products of interest to each other. Informal consultations between Canada and the United Kingdom with respect to margins of preference were held throughout the negotiations, and each country took the interests of the other fully into account in deciding what concessions to grant. The reductions in preferential margins made by Canada and the United Kingdom are generally small and no significant changes in preferences will result from this conference.

The most important reduction of preference made by the United Kingdom from Canada's point of view is a moderate reduction on kraft paper negotiated with the Scandinavian countries, but the remaining preference in favour of Canada is still substantial. The preferences in the Canadian tariff which have been reduced are relatively minor with the exception of the 5 per cent preference on textile machinery. It is clear, however, that the United States already dominates the market for this product and that the 5 per cent preference was not ensuring United Kingdom sales to Canada but had become a tax on Canadian users. (Two preferences in the Canadian tariff of interest to Australia and one preference of interest to South Africa were also reduced, but this was done only after careful consultation with those countries).

7. *Procedure*

When previous negotiations of this kind took place the substance of the agreements concluded was submitted to Parliament on the publication date agreed upon by all the participating countries. Opportunities were provided subsequently for discussion of the agreements in Parliament. No legislation is required; the tariff changes are put into effect by Order in Council under the Customs Tariff.

8. *Recommendations*[3]

I recommend, with the concurrence of the Minister of Trade and Commerce and the Minister of Finance, that:

(a) Cabinet approve the eleven agreements which have been negotiated at Geneva and initialled by the Canadian delegates,

(b) Mr. L.D. Wilgress be authorized to sign the Protocol of Supplementary Concessions to the GATT (in which these agreements are embodied),

(c) The Canadian Schedule of Concessions be published on June 7, on which date the other countries' Schedules will also be published, and

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[3] Ces recommandations ont été approuvées par le Cabinet le 17 mai 1956.
These recommendations were approved by Cabinet on May 17, 1956.

(d) At the time the Schedules are published a statement be made in Parliament and to the press, and copies of the agreements be tabled.[4]

L.B. PEARSON

C.D. Howe
Minister of Trade and Commerce.

W.E. Harris
Minister of Finance.

SECTION B

ONZIÈME SESSION DES PARTIES CONTRACTANTES
ELEVENTH SESSION OF THE CONTRACTING PARTIES

810. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CONFIDENTIAL [Ottawa], October 2, 1956

The Eleventh Session of the Contracting Parties to the General Agreement on Tariffs and Trade begins in Geneva on October 10th. This will be one of the regular business sessions which take place periodically to administer the Agreement, to consider complaints and to seek solutions of particular points of difficulty. A number of important matters will be discussed and it has been suggested that governments may wish to send Ministerial representatives to attend the Session for a few days.

It is desirable that a Canadian Delegation should be appointed to participate in the work of this Session, to represent Canadian interests and to seek, as in the past, to strengthen the GATT arrangements and make them as effective as possible.

(a) *Attendance of Ministerial representatives at this Session* — It has been suggested that a meeting of Ministerial representatives at this Session would serve to strengthen the prestige and effectiveness of the GATT. This matter was discussed by the GATT Intercessional Committee, meeting in Geneva last month. There appeared to be considerable interest in this proposal, particularly among some of the underdeveloped countries and the European countries. It was felt that such a meeting would provide a valuable opportunity for direct contacts between Ministers from various parts of the world, and, also, that some of the items on the Agenda were of sufficient importance to warrant the presence of Ministerial representatives at this Session. In view of this response, it would seem desirable that Canada should support this proposal. If a sufficient number of governments are in favour which is by no means certain, it has tentatively been agreed by the GATT countries that arrangements will be made for a meeting of Ministerial representatives to take place in Geneva November 12—16.

It would be desirable for Canada to undertake to send a Ministerial representative to the GATT Session, but only if a sufficient number of Ministerial representatives from other governments will also attend. The Minister of Trade and Commerce has asked his Parliamentary Assistant whether he could attend if such a meeting takes place.

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[4] Voir Canada, Chambre des Communes, *Débats*, 1956, volume V, pp. 4968 à 4970 et 5011 à 5018.
See Canada, House of Commons, *Debates*, 1956, Volume V, pp. 4792-4794 and 4834-4841.

(b) *Balance of Payments Consultations*—On the initiative of the United States and Canada, the Agenda for the GATT Session calls for the institution of a series of consultations with a number of countries which are still maintaining discriminatory import restrictions. It is felt that with the considerable improvement in the balance of payments position of a number of European countries in recent years the time has now come for an effective series of consultations aimed at obtaining some relaxation of these restrictions. Among the countries which would be invited to consult, Germany and The Netherlands particularly would appear to be in a position to make substantial progress in the removal of restrictions. It is clearly in the Canadian interest and in the interest of strengthening the GATT arrangements that some effective action should be initiated for progress in the field of import restrictions. This is particularly the case at a time when no further progress in the tariff field can be expected, as far as the United States is concerned. It is also of importance to obtain further action in the removal of dollar discrimination in Europe at a time when European countries are discussing regional trade arrangements.

The Canadian Delegation should take an active part in arranging for balance of payments consultations under GATT, in ensuring that these consultations are made as effective as possible and that the GATT Secretariat is adequately equipped to administer them.

(c) *European Customs Union and Free Trade Area*—The proposals for a European common market for the association of the U.K. and other European countries in a free trade area raise issues of major importance in the field of international economic policy. It would appear desirable at an early stage to try to ensure that these proposals are kept as consistent as possible with the multilateral objectives of the GATT. Canada and the United States have therefore proposed that at this Session of the GATT there should be a discussion of methods of establishing continuing liaison between the GATT and the European regional plans.

The Canadian Delegation should support appropriate arrangements to provide for effective liaison between the European regional discussions and the GATT.

(d) *Accession of Switzerland to the GATT*—Switzerland has now made a formal application for accession to the GATT and this will be considered at the coming Session. Switzerland's accession as a full member of GATT at this time raises problems because of the existence of Swiss agricultural import restrictions which are in conflict with the provisions of the GATT. Because of this it has been proposed that Switzerland should be accepted only as an associate member of the GATT at least for the time being. It has to be recognized that this would be another instance of the exclusion of trade in agricultural products from the GATT rules. In other products, however, Switzerland is a strongly liberal trading country, and on balance Swiss accession would therefore be valuable to the GATT.

In these circumstances the Canadian Delegation should welcome and support the accession of Switzerland as an associate member of GATT, on terms which will not create undesirable precedents.

(e) *Brazilian Tariff Revision*—Brazil will be submitting at the coming session a new draft tariff for consideration by the GATT countries. The Brazilian draft tariff provides for substantially higher levels of duties for most imports into Brazil.

The Canadian Delegation should not adopt an unduly negative attitude towards the Brazilian problem but should participate in devising a formula which would enable Brazil to implement tariff increases while protecting Canada's trade interests as much as possible.

At the same time, the Canadian Delegation should try to ensure that no action is taken with respect to Brazil which would cause substantial injury to the GATT.

I recommend that the Delegation be instructed:

(a) to participate in the discussion of Agenda items, to represent Canadian interests and to seek, as in past, to strengthen the GATT arrangements and render them as effective as possible;

(b) to indicate that Canada will be prepared to send a Ministerial representative to attend the Session, on the understanding that a sufficient number of representatives of Ministerial rank from other governments will also attend;

(c) to make appropriate arrangements for balance of payments consultations under GATT with a view to obtaining some further progress in the removal and relaxation of discriminatory import restrictions;

(d) to make arrangements for continuing liaison between the GATT and the European regional discussions for a customs union and free trade area;

(e) to support the accession of Switzerland as an associate member of the GATT on suitable terms;

(f) to participate in the discussion of the Brazilian tariff problem, seeking a solution which will do as little damage as possible to the GATT and to Canadian trade with Brazil, on the understanding that further instructions will be sought from Ottawa, if necessary.

I recommend that, as on past occasions, the Chairman of the Canadian Delegation should be Mr. L.D. Wilgress (who will no doubt be re-elected Chairman of the Contracting Parties); that Dr. C.M. Isbister of the Department of Trade and Commerce and Mr. A.B. Hockin of the Department of Finance should be Vice Chairmen of the delegation; that the following officials from Ottawa should be included in the delegation:

Mr. J.F. Grandy	–	Department of External Affairs
Mr. R.E. Latimer	–	Department of Trade & Commerce
Mr. L.C. Howey	–	Department of National Revenue
Mr. J.R. Downs	–	Department of Trade & Commerce
Mr. J. Loomer	–	Department of Finance

and that Mr. C.F. Wilson, Commercial Counsellor at Copenhagen, should assist the delegation as may be necessary, and that Mr. G. Clark and Mr. H. Jay of the Canadian Permanent Mission to the United Nations, Geneva, should be attached to the delegation.[5]

L.B. PEARSON

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[5] Ce mémoire au Cabinet n'a pas été mis en circulation. Au lieu de cela, Howe a présenté un exposé oral sur la réunion du GATT au Cabinet le 3 octobre 1956. Le Cabinet a convenu que Howe, Pearson et Harris allaient choisir « the composition of the delegation and the form and content of the instructions for it ». Puisque ces trois ministres ont souscrits à ce mémoire, il est probable que la version finale des instructions, qui n'a pas été trouvée, ait suivi ce texte de près.

This memorandum to Cabinet was not circulated. Instead, on October 3, 1956, Howe made an oral presentation on the GATT meeting to Cabinet, which agreed that he, Pearson and Harris would settle "the composition of the delegation and the form and content of the instructions for it." As this memorandum was concurred in by these three ministers, presumably the final version of the instructions, which were not located, closely followed this text.

811.

DEA/9100-AS-40

Le secrétaire d'État aux Affaires extérieures
à la délégation à la conférence sur le GATT

Secretary of State for External Affairs
to Delegation to GATT Conference

TELEGRAM EE-38

Ottawa, October 11, 1956

CONFIDENTIAL AND PERSONAL.

GATT CHAIRMANSHIP

Following personal for Wilgress from Léger: We have learned from New Delhi that the Indians are rather embarrassed as they had promised to support Corea of Ceylon when it appeared you would not be standing. We have checked with Colombo and find that Ceylonese are quite anxious to have Corea elected and, despite their regard for you, feel that Western countries have occupied the chair long enough. Delhi has also indicated that there may be some manoeuvering to get Oldini of Chile elected. I should be grateful for your views on this situation.

2. I know how highly your work as Chairman of the GATT has been regarded in Canada and in other member countries. In refraining from approaching you again, after your earlier indication that you did not wish to serve another term, we were not lacking in appreciation of the good work which you had done and could continue to do as chairman. We had in mind mainly fact you had carried the load for rather a long time, that Indian candidate was regarded by you and others as very competent, and that you were going to have a heavy programme in Paris with NATO and the OEEC (which will not be lighter with initiation of discussions on free trade area/customs union project).

3. I understand that when you indicated to the United States the circumstances in which you would be willing to stand again, you emphasized that you would be prepared to do so only if this was the general wish. I suppose, therefore, the judgment which has to be made now is whether your candidacy might be resented by some or even whether the election is likely to be warmly contested (by Corea, Oldini, or others). I should be grateful to know what your attitude would be in either event. I should also appreciate your views on the probable outcome if you were not to stand. I take it that Corea would not be too unacceptable from our point of view (although less satisfactory than Jha might have been if the U.S. could have brought themselves to accept him). On the other hand, Oldini (or other possible Latin American candidates of whom we have any knowledge) would presumably be more unsatisfactory.

4. I realize that you are confronted with a difficult choice. If you feel that you should stand, it would seem desirable that the U.S. and U.K. (without giving impression that you were particularly "their" candidate) should attempt to influence the others who may be thinking of running. If on the other hand you concluded that, in all the circumstances and in view of your responsibilities in Paris, it would be preferable not to serve again, we would not consider it fair to press you. We would wish to be guided by your best judgment in the light of all the factors, which are more familiar to you than to us.

[J.] LÉGER

812. DEA/9100-AS-40

Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE au secrétaire d'État aux Affaires extérieures

Permanent Representative to North Atlantic Council and OEEC to Secretary of State for External Affairs

TELEGRAM 1725 Paris, October 15, 1956

PERSONAL AND CONFIDENTIAL.

Reference: Your telegram to Candel EE-38 October 11.

GATT CHAIRMANSHIP

Following for Léger from Wilgress: Your telegram under reference was received shortly before I had to leave Geneva for Paris. It was somewhat corrupt but I derived the sense of your message.

2. I telephoned Corse of the USA delegation and asked him to come and see me. I told him I would have to withdraw because the condition I had set was not being fulfilled. I explained how it might interfere with my work in Paris; further that political overtones were being given to the contest as one between Western and Eastern countries; and finally, since another member of the Commonwealth was involved, the contest was embarrassing for us. It had been different when both India and Ceylon had nominated candidates.

3. I told Corse I wanted to withdraw immediately. He asked me to wait until I returned to Geneva from Paris on Wednesday as he wished to consult Washington in order that they might plan their further moves. He said they regarded the Corea candidacy as motivated mainly by personal ambition. They were convinced that the majority were for no change in the chairmanship and this majority included Brazil, Cuba and Pakistan. Haguiwara of Japan is now taking informal soundings and the picture should soon become clear.

4. The question of the chairmanship is being discussed in closed meetings of Heads of Delegations. The chair is taken by Haguiwara. Only one meeting has been held so far and the first part of that meeting was presided over by me and was taken up with a discussion of the threatened retirement of the Executive Secretary about which I told Ritchie when he was in Paris. When the subject of the chairmanship was reached there was only time for four speeches. Sweden and the USA in that order spoke in favour of no change at the present time which was so critical for the future of GATT. France then spoke at length in favour of the introduction now of the principle of rotation. France took the same attitude at the review session and, while some are inclined to attribute this to their general disruptive tactics, the French representative claims it is based on their customary attitude in all international organizations. (No doubt he would say that OEEC was the exception that proved the rule.) Indonesia was the fourth speaker and they supported the French position.

5. The meeting adjourned sine die since Haguiwara wished to take soundings before resuming the discussion. The terms of office for the chairman and vice-chairmen are for one year and do not expire until October 27.

6. I was definitely not anxious to serve for a further term and agreed reluctantly only because I felt it was essential in the interests of GATT which is now in difficulties and is threatened further by the recent bold moves in Europe. Hitherto, I have not experienced too much difficulty in covering both Geneva and Paris. This has been through the judicious exercise of priorities.

7. I am disturbed by the concern you obviously feel about the political implications. I fear the situation as viewed from Ottawa may seem more alarming than as seen in Geneva. I have consistently tried to weigh the political factors in the actions I have taken.

8. I can give you little information about the possibility of Oldini emerging as a rival candidate to Corea. I and the other members of our delegation are keeping aloof from the discussions that are going on behind the scenes. Corse said that, while Oldini was more acceptable politically to the USA than Corea, they could make no move in his support until instructed to do so by Washington. Corse repeated what he had told me in September and said that the opponents of the Trade Agreements Act would contend that American tariff policy was being directed from Ceylon. This could set off agitation for the withdrawal of the USA from GATT which would result in their rates of duty being raised to the level they were at in 1947. He said he had done his best to persuade his superiors to accept Jha but they had always referred to the ammunition this would give to the opponents of the programme.

9. The issue now being debated is no change of officers at present versus the immediate introduction of the principle of rotation. In practice the latter alternative means the election of a representative of one of the under-developed countries, either an Asian or a Latin American. In theory the field is wide open because the choice had been left to the Heads of Delegations. The Intercessional Committee recommended against formal nominations. Hence the nomination of Corea has no official standing. Oldini has strong personal claims in that he has been connected with GATT continuously for ten years and has served three years as First Vice-Chairman. While I would give a slight preference to Corea, most representatives would find it difficult to decide between the respective merits of these two possible candidates. I am on the friendliest terms both with the exceptionally able Ceylon Minister of Commerce, who is attending the Session, and with Sir Claude Corea whom I have known for the past nine years.

[L.D.] WILGRESS

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813. DEA/9100-AS-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE

Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council and OEEC

TELEGRAM EE-70 Ottawa, October 15, 1956

CONFIDENTIAL AND PERSONAL. IMMEDIATE.
Reference: Your telegram 1725 of October 15.
Repeat Washington (Information).

GATT CHAIRMANSHIP

Following for Wilgress from Léger: I am grateful for your message which gives me a good idea of how complex the situation is with respect to the election of the chairman. I was reassured to learn from your paragraph 7 that the political implications of this situation are not as serious as they might seem to be from here. You can be sure that I have never had any doubt concerning your ability to weigh the political factors involved in determining the course of action which you should take. I would only wish we could be equally sure that our U.S. friends were fully sensitive to these factors. Needless to say we are content to rely on your judgment of the situation as it develops.

2. Shortly after I had read your message I received a visit from Livy Merchant, who had called earlier in the day to make an appointment. His purpose was to emphasize how highly your work with the GATT was regarded and how much his people in Washington (and he thought also the people concerned in most other capitals) hoped that you would accept to be a candidate again. You could be sure of the support of the U.S. and he was certain that the U.S. would be impressing other delegations with the desirability of re-electing you. He did not think that, in the case of an organization such as the GATT, the principles of rotation need apply. The subjects dealt with in the GATT were both so technical and so important that there were real advantages in having an able and experienced chairman. Merchant hoped very much that we might encourage you to stand for re-election.

3. I told Merchant that we did not consider ourselves in a position to press you to stand again. We were aware of the condition — which we endorsed — you had set for your re-election and we knew of the responsibilities which you have elsewhere; on the other hand we did not know enough of the real factors in the situation in Geneva. Accordingly, we thought that the decision had to be left to your own judgment on the spot. I promised however to pass on to you the comments which Merchant had made.[6]

[J.] LÉGER

2e PARTIE/PART 2

FONDS MONÉTAIRE INTERNATIONAL
INTERNATIONAL MONETARY FUND

814. DEA/6000-H-40

Le ministre des Finances
au secrétaire au Trésor des États-Unis

Minister of Finance
to Secretary of Treasury of United States

CONFIDENTIAL Ottawa, June 5, 1956

Dear Mr. Secretary:

Some weeks ago, when the Governor of the Bank of Canada called on you, he outlined at my request certain ideas we had developed relating to the organization of the Executive Board of the International Monetary Fund and the position of its Managing Director. I understand that you were receptive to our suggestions, sharing our view that the Executive Board has not functioned satisfactorily. For your convenience I enclose a memorandum which summarizes our position.

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[6] Wilgress a continué à résister aux pressions et à chercher à être réélu au poste de président des Parties contractantes, et a été remplacé à titre de président des réunions intersessions par Corea. Aucun rapport sur ces réunions n'a été trouvé.

Wilgress continued to resist pressure to seek re-election as Chairman of the Contracting Parties, and he was replaced as Chairman by Corea at the inter-sessional meetings. No report on these meetings was located.

I have communicated our proposals to the Chancellor of the Exchequer and I am glad to be able to tell you that, in principle, he regards them with considerable sympathy.

I would be hopeful that these suggestions might also commend themselves fairly readily to the others who are chiefly concerned, and that they would be very much in mind when the new Managing Director is chosen and, of course, when the new Board of Executive Directors is elected in September. If it became clear that the post of Managing Director was to be more interesting and more responsible it should be possible to get a better man than might otherwise be available.

Yours very truly,
W.E. HARRIS

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

CONFIDENTIAL [Ottawa], May 31, 1956

VIEWS OF THE CANADIAN MINISTER OF FINANCE ON THE ORGANIZATION OF THE INTERNATIONAL MONETARY FUND

1. The difficulty which is being experienced in finding a suitable man to assume the post of Managing Director of the International Monetary Fund on the retirement of Mr. Rooth has led us to wonder whether the time has not come to consider changing the method of operation of the Executive Board in a way which would give more scope for leadership to the Managing Director, improve the chances of attracting a first class man to the post, and enhance the real influence of the Fund. The following paragraphs outline the ideas we have developed on this matter.

2. The Executive Board of the Fund is in continuous session in Washington and consists of sixteen directors and the same number of alternates. With the exception of the Canadian, German and Egyptian Directors, and of course the United States Director, they do not have operating responsibilities in the financial field in their own countries. The others reside in Washington and are "professional" Directors, though some have other national responsibilities as well. This arrangement of full-time Directors has, in our opinion, had a number of undesirable consequences:

(a) It has diminished the authority of the Managing Director in relation to his own staff. The Board has tended to interfere in matters of internal administration, including appointments and promotions. It has been apparent to the staff that the Managing Director has not been master of his own administration, and this has inevitably affected the morale of the staff. The contrast between the Fund and the Bank in this respect is particularly striking.

(b) Discussions in the Fund Board have not been as fruitful or well-informed as would be the case if they were carried out by people who had some national operating responsibilities for the matters discussed. Some of the Directors have conceived their function to be merely to express personal opinions. Others have reflected their government's views, but discussion based largely on written instructions has inevitably included less give-and-take and had less influence on national policies than discussion among practitioners. One of the reasons why the Managing Board of the European Payments Union has, as an institution, been relatively successful is that that Board is composed of people who continue to have operating responsibilities in their national governments and central banks.

(c) With the Executive Directors in continuous session and with the Managing Director in a relatively weak position, countries have hesitated to discuss their affairs with the head of the Fund before there was actual need to obtain Fund approval for some action or for use of Fund resources. This may, in fact, be the main disadvantage of the present arrangements, as it means that the Fund influence is not brought to bear at an early stage where it could have a major effect on national policies. The Managing Director should be encouraged to establish relationships with Treasuries and central banks in which his counsel is sought because it is known to be competent and disinterested. This is feasible, however, only if there is complete assurance of secrecy; and the present organizational arrangements militate against this.

3. It is our belief that a change in the way in which the Executive Board functions which afforded more scope for initiative and leadership to the Managing Director and which changed the nature of the representation of the main countries would make the Fund a more influential institution, and would increase the chances of getting a man of the calibre required to take the post of Managing Director. The more successful operation of the International Bank has been due in part to the opportunity for leadership given to the President following the adoption in 1950 of the recommendations of the Ad Hoc Committee on the Functions of Executive Directors presided over by Governor Frère.

4. The change we have in mind could be accomplished without amending the Articles of Agreement or the by-laws. All that would be needed would be agreement of the principal countries (say the United Kingdom, United States, and the main Western European countries) that this was the way they wanted the Fund to operate, and that they would appoint or put up for election as Executive Directors next September people who would make it operate in this way, i.e. a senior official from the treasury or central bank of each such country who normally participates in the formulation and carrying out of economic policy, particularly in relation to foreign exchange and foreign trade. (If other countries decided to do the same, so much the better. But distance presents a greater obstacle in some other cases, and uniformity is not essential.) Meetings of the Board to discuss important policy issues would be scheduled a limited number of times a year, perhaps quarterly, and the Executive Directors representing the more important countries would normally be expected to come from their national capitals to attend. The system of alternates would continue; they could deal with routine business, and emergencies requiring Board action could be dealt with if necessary on the basis of telegraphic reference to capitals. However, it would be agreed that the internal administration of the Fund would be left to the Managing Director and he would be encouraged to cultivate relationships with member governments along the lines referred to above.

5. A further advantage of holding meetings a few times a year attended by senior officials would be the opportunity thereby provided for discussions and exchange of opinion on many matters of interest in the financial field besides those coming strictly under the aegis of the International Monetary Fund. While European countries enjoy these facilities in connection with meetings of the Managing Board of the European Payments Union, the Bank for International Settlements and other institutions, the proposed adoption of similar practices with regard to the International Monetary Fund would be of great benefit to Canada, the United States and other non-European countries, and by the same token it might be beneficial for European countries that the United States officials and others should be kept informed and have an opportunity to talk things over with their European opposite numbers.

815. DEA/6000-H-40

Le ministre des Finances
au secrétaire au Trésor des États-Unis

Minister of Finance
to Secretary of Treasury of United States

PERSONAL & CONFIDENTIAL. Ottawa, June 7, 1956

Dear Mr. Secretary:

I wrote you two days ago to set before you in more or less formal terms the gist of our ideas regarding changes in the organization of the Executive Board of the International Monetary Fund and the position of its Managing Director.

A further development, of which you may perhaps have heard from your officials, is that Mr. Baumgartner, Governor of the Bank of France, showed very great interest in and approval of our proposals when they were outlined to his in Paris this week by Mr. Rasminsky. I am encouraged to feel, therefore, that progress can be made with changes in the organization of the Executive Board more or less along the lines which have been discussed. I would have in mind putting these proposals forward in the Annual Meeting in September.

Mr. Rasminsky also had the impression that if organizational changes could be made along these lines, Mr. Baumgartner himself might be available for the post of Managing Director, although perhaps not until the end of this year.

However that may be, it is our feeling that further progress should be sought in connection with the proposed organizational changes before the Annual Meeting. It would be an advantage if member countries were able at that time to select their Executive Directors with the thought in mind that the new method of operation would be going into effect shortly thereafter. Otherwise, if there is delay, it might be necessary for some of the chief countries concerned to change their Executive Directors at some time during the normal two year term of office. To avoid the necessity for this would seem to be clearly desirable, although not absolutely essential.

I would also hope that the organizational changes could be at least agreed in principle by the chief countries represented on the Board of the Fund before the appointment of a successor to Mr. Rooth as Managing Director. I would think this would be desirable even if it involved some short delay in the appointment of his successor. There would be great advantage in having the situation clarified first so that the new man would know what the organizational arrangements would be before being required to make up his mind to accept the post.

I understand that subsequent to Mr. Coyne's talk with you two further names have been actively considered, namely Mr. Guindey and Mr. Jacobsson. From what we know and what we have heard, we are not convinced that either of them has to a sufficient degree the qualities that we think should characterize the Managing Director and Chairman of the Executive Board of the International Monetary Fund.

Yours sincerely,
W.E. HARRIS

816. L.R./76-284

Le gouverneur suppléant de la Banque du Canada
au gouverneur de la Banque du Canada

Deputy Governor, Bank of Canada,
to Governor of Bank of Canada

PERSONAL London, June 16, 1956

Dear Jim [Coyne],

The uneventful meetings of the Continuing Committee wound up yesterday and I now have the opportunity to write you in detail about my discussions regarding the Fund.

As you know, when I saw Baumgartner in Paris on June 4 he expressed great enthusiasm for our ideas regarding the way the Fund should function, said that he thought the attempt to find a successor to Rooth should be postponed until after these organizational proposals had been adopted and indicated that he would speak to Cobbold along these lines at Basle on June 10. He also gave me clearly to understand that if the Fund were reorganized along the lines we have to mind, he might well, towards the end of the year, be willing to re-consider his own previous negative attitude towards the job of Managing Director.

At Basle during the week-end, I spoke to Frère of the Banque Nationale de Belgique, Holtrop of the Netherlands Bank, Emminger of the Bank Deutsche Länder (I shall speak to Vocke in Frankfurt next week) and Manichella of the Bank of Italy. I had also had in mind speaking to the Governor of the Swedish Riksbank, but there were so many Scandinavians there (all represented by one Executive Director on the Fund Board) that it would have been impossible to talk to them all, and I thought it better not to talk to any.

The reception of our ideas was most encouraging. The Germans, of course, already operate the way we do, and Emminger and I have frequently talked about the matter in the past and I expected, and am sure we will get, support from this quarter. Frère was positively enthusiastic about the proposals. Holtrop was first inclined to question whether the Fund could in any circumstances be an active and influential institution. His main points seemed to be that the resources of the Fund were unlikely to be needed to any great extent, as fluctuations in balances of payments were less than was often assumed, and until convertibility was established, countries would not go to the Fund on any large scale, as drawings in all currencies had to be re-paid in dollars. He did not stick very strenuously to these points, and expressed general agreement with our organization proposals which he undertook to discuss with the governmental people in Amsterdam. Manichella was more reserved. He first said the matter of leadership was more a question of personality than organization and cited the example of Black. I was, of course, able to point out the differences in the way the Bank Board and the Fund Board operated. He then said that while he agreed entirely that the Fund was not functioning satisfactorily, the matter went deeper than organization; what was needed was a fresh look at what we expected the Fund to do. To give this fresh look he thought there should be one or more meetings of a limited group of countries. I said that I agreed that a re-appraisal of the sort he had in mind would be a good thing, but pointed to the difficulties of this being undertaken by a limited group of Fund members operating outside the Fund. I said that Mr. Harris intended to bring our ideas on organization up for discussion at the September meeting and this would be the right time and place for a discussion of the type he had in mind. He was satisfied with this and undertook to let others concerned in Italy know about our ideas.

I gave Baumgartner, Frère and Holtrop copies of the memorandum of May 31. I mentioned it to Manichella but did not give him a copy. However, after leaving Basle he telephoned from Bern and asked if he could have one and I have sent one to him in Rome. I shall give Vocke a copy in Frankfurt.

Both Frère and Holtrop said that while they agreed with the proposals, they thought they could not be put into effect, so far as they are concerned, as early as September. The difficulty is that they must find something else for their present Executive Directors, van Campenhout and Lieftinck, to do and more time would be required.

In talking to all these people I said that it was the Canadian view that the organizational matter should be settled before Rooth's successor was chosen. I did not however discuss names with anyone except Baumgartner.

On June 11, Cobbold asked me to have dinner with him and we had a long talk about these matters. His view is strongly that the matter of organization will take quite a long time to work out and that the appointment of a new Managing Director should not be postponed until then. He contests our view that the field of choice will be widened if the Fund is reorganized in a way that gives more scope for initiative and leadership to the Managing Director. He says that the only real starter whose name has come up is Jacobsson and he does not think new names will come up after re-organization. The new man, if he is any good, will insist on re-organization along our lines but he will have to be satisfied with general assurances from the U.S., U.K., etc. that this is the way they want the Fund to operate; the new man should, in fact, put the re-organization through. It would be awkward and embarrassing to leave the chair at the top of the table empty for the length of time required to get general agreement. As for Jacobsson himself, Cobbold agreed that he was far from being the ideal candidate and it was obvious to me that the British were a good deal less than completely enthusiastic. However, he had his points. He had "glamour" (Cobbold must use the word in a rather special sense); he had the entrée to European central banks; he would be acceptable to the under-developed countries; he could talk down Berstein and Friedman; Black was keen on him as well as the U.S.

By the time this conversation took place, Cobbold had already spoken to Jacobsson and when I ascertained this I said there was not a great deal of point in my continuing to elaborate the reasons we thought him unsuitable — the U.K. and U.S. knew what our views were. I refrained from saying that we would not oppose him (or that we would oppose him) if his name was formally placed before the Executive Directors. About an hour after we parted at midnight, Cobbold roused me from a deep slumber to ask why I did not speak to Jacobsson myself. I said of course, because I would have nothing to say to him on this subject. I did in fact spend a couple of hours with Jacobsson the next day but it was entirely on the state of the world and the references to Canada in the Annual Report of the B.I.S. These have to be seen to be believed. Reference 1. — "Certain overseas countries, in particular New Zealand and Canada were beset by balance of payment difficulties in 1955". Jacobsson explained that what Canada needs now is a good little slump. But that is another story that can await my return.

Cobbold assures me that the U.K. will definitely not have Overby as Deputy Managing Director and have gone on record to this effect with the Americans.

Baumgartner failed to speak to Cobbold in Basle as he said he would and I phoned him from London, and asked him whether he had given further thought to the matter. He said that he had read our memo and personally agreed completely with it, though he did not think the Managing Director of the Fund could ever be quite as powerful as the President of the Bank (which is true). I asked him whether he was still of the opinion that the choice of Managing Director should be postponed until the re-organization was through, as this might improve the selection. He simply said "that is a delicate question" and told me that he had made "des réserves" on the choice of Jacobsson. I am afraid Baumgartner has to be counted out as neither the U.S. or U.K. would be willing to make a fresh approach to him, and I can't say I blame them.

Here in London, Ken Taylor arranged a meeting with Rowan at which Harcourt and I were present. Essentially the same ground was covered. Rowan had other reasons for not having the top post vacant — the U.S. might want to wind up the Fund, several directors had said that they would be unhappy about serving under Cochrane as Acting Managing Director. There was even less enthusiasm for Jacobsson and Rowan agreed with me when I said that we Canadians were still in the same position as everyone had been in when they first heard his name mentioned but that the U.K. and U.S. had changed. Rowan asked me whether I thought the Deputy had to be an American. I echoed the phrase in your cable† to Cobbold about him not being a custodian of American interests and said the post should not be in the gift of the U.S. Government, but went on to say that I felt quite definitely that with the top man a European it was most desirable that the Deputy should be an American.

The U.K. and U.S. are now going to trot Jacobsson around the track and see how much support they can get for him.

I think that the present position can be summarized as follows:

(1) Our own ideas regarding organization, or something like them, stand a very good chance of ultimately being adopted. However, the U.S. and U.K. insist on the new Managing Director being chosen first and will not consider pushing the other matter until this is done. Rowan said they might discuss organization of the Fund informally at the next meeting of the O.E.E.C. Council. I doubt that they will but shall, in any case, send a copy of the May 31 memorandum to Dana Wilgress; I mentioned the matter to him when I was in Paris. I do not think, failing real U.S. and U.K. support, that there is any real hope that enough progress will be made this summer on the organizational side to influence the choice of Executive Directors in September. When I get back we ought to consider what else we can do to push the matter along. I have in mind the following possibilities:

(a) Talking to some of the other Executive Directors, e.g. from Australia and India.

(b) Talking to people in the Federal Reserve System and perhaps State Department.

(c) The Canadian Government communicating its views formally to some members of the Fund.

This would prepare the ground for Mr. Harris' intervention to the Fund discussion in September.

(2) The British and Americans must be given time to collect the bets on Jacobsson. I would not make a book on him myself, even though the big money is on him. He does not have solid support from his own Western European stable (the French still backing Guindey) and it would surprise me if he was the choice of the underdeveloped. However, he certainly is the favourite as of this moment.

(3) If Jacobsson does not finish, the British will probably shift back to Guindey. The more I think of Jacobsson, the better I like Guindey.

My travel plans are unchanged. I shall be at the Frankfurter Hof in Frankfurt.

Though I have marked this letter personal, I am sending a copy to Jack Warren and shall show a copy to Norman Robertson.

I trust all goes well with you,

With warm regards, etc.
L. R[ASMINSKY]

817. L.R./76-284

Le secrétaire au Trésor des États-Unis au ministre des Finances

Secretary of Treasury of United States to Minister of Finance

PERSONAL AND CONFIDENTIAL. Washington, June 20, 1956

Dear Mr. Minister:

I have your letters of June 5th and 7th outlining your ideas about the reorganization of the Executive Board of the International Monetary Fund and the position of its Managing Director. I note that you have in mind putting these proposals at the Annual Meeting in September and that you hope there can be agreement in principle on the changes by the chief countries before the appointment of a successor to Mr. Rooth.

Of course, I should be glad to see the caliber of the representation on the Executive Board of the Fund maintained at the highest feasible level and we recognize the problems you have in mind. However, I have misgivings concerning the advisability of raising this question at the Annual Meeting. As you have said in your memorandum, the changes you visualize could be accomplished without amending the Articles of Agreement or the By-Laws. Hence, no action by the Governors is required. I'm afraid any formal move in the direction you suggest involves delicate political problems, and it seems particularly unlikely that the Latin American, Middle Eastern and Asian countries will respond favorably. As we look over the membership of the present Executive Board, we are inclined to think that the most that might be expected is that more senior representation could be achieved in the case of two or three Directors from Europe. This can be arranged by the European countries themselves if they so desire.

It does not seem to me necessary to link the question of possible reorganization of the Executive Board with the search for a new Managing Director. I am confident that the right kind of Managing Director will have no difficulty in exercising the leadership which you and I both have in mind. He should have little difficulty in gaining the confidence of the Executive Board and in rearranging its work so that he will have adequate flexibility. However, I do not believe it is feasible to work such matters out in advance of experience with the new Managing Director.

Mr. Burgess and I believe that Per Jacobsson has an almost unique prestige in the field of monetary affairs and that he can bring to the Fund as Managing Director and Chairman of the Board a very high order of leadership. We want to follow up this possibility promptly and hope that after further reflection you will feel that you can concur in our opinion.

Sincerely,
G.M. HUMPHREY

818. L.R./76-284

Le ministre des Finances
au secrétaire au Trésor des États-Unis

Minister of Finance
to Secretary of Treasury of United States

PERSONAL AND CONFIDENTIAL. Ottawa, July 23, 1956

Dear Mr. Secretary,

Thank you for your letter of June 20th in reply to mine about the International Monetary Fund. I shall, of course, have very much in mind the views you express. The one matter which I wish to refer to in this letter is the advisability of my raising the question of the method of operation of the Executive Board at the Annual Meeting in September.

The next Annual Meeting is the tenth anniversary of the Fund and I suggest that it is inevitable, and indeed desirable, that the general discussion should range over a wide field and constitute a sort of stock-taking of the Fund. In the course of such an appraisal, the Fund's working methods would appear to be a proper subject of discussion, and I would hope that it would be possible to deal with this question in a way that did not offend any country's susceptibilities. Indeed, I see no reason why the countries you mention in your letter should not welcome a change in working methods if it has the effect of increasing the effectiveness of the Fund and strengthening the position of the international staff. It is, of course, the case that some of the Executive Directors now representing the countries you have in mind may have a vested interest in maintaining the present arrangements but I am sure that you will agree that this should not be given too much weight.

There is another reason why it strikes me as desirable to bring this question out into the open. One of the purposes of these proposals is to increase the influence of the Fund by changing the attitudes of member countries towards the institution. If this is to be done, it would seem necessary that members should realize that a quite important change is taking place which goes beyond the replacement of "professional" full-time Executive Directors by a few countries, and includes basic changes in the Fund's working methods.

I shall naturally be giving further thought to these matters before September but I wanted to let you know how my mind was moving now.[7]

Yours sincerely,
W.E. HARRIS

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[7] Un rapport détaillé sur la réunion annuelle du FMI a été préparé par Jake Warren et envoyé au ministère des Affaires extérieures au cours de la première semaine de novembre 1956 en vue d'être reproduit et distribué aux missions canadiennes à l'étranger. Malheureusement, dans l'agitation des crises de Suez et de la Hongrie, il a apparemment été perdu. Pour un résumé de la réunion, voir International Monetary Fund, *Summary Proceedings: Annual Meeting, 1956*, Washington 1956.

A detailed report on the IMF's annual meeting was prepared by Jake Warren and forwarded to the Department of External Affairs during the first week of November 1956 for duplication and distribution to Canadian missions abroad. Unfortunately, in the excitement of the Suez and Hungarian crises, it was apparently lost. For a summary of the meeting see International Monetary Fund, *Summary Proceedings: Annual Meeting, 1956*, Washington, 1956.

819. DEA/6000-H-40

Le directeur canadien suppléant, Fonds monétaire international
au sous-gouverneur de la Banque du Canada

Alternate Canadian Director, International Monetary Fund,
to Deputy Governor of Bank of Canada

CONFIDENTIAL [Washington], December 13, 1956

Dear Lou [Rasminsky],

This is a report on the Board meeting you attended on December 10 when the Executive Directors approved a U.K. drawing of U.S. $561,470,000 (its gold tranche and first credit tranche), together with a Stand-by arrangement for the U.K. in the amount of U.S. $738,530,000 equivalent. Taken together, the drawing and the right to draw under the stand-by amount to $1,300,000,000, or 100% of the U.K.'s quota.

For ease of reference I attach the U.K. request to the Fund (EBS/56/44), the staff analysis and conclusions (EBS/56/44, Supplement 1), the text of the Stand-by Agreement as approved (EBS/56/44, Supplement 2), the Fund's announcement of its decision and the accompanying public statement by the Managing Director.† I am circulating separately the staff's background paper on the U.K. economy (SM/56/83).

Viscount Harcourt, in putting forward his government's submission, commented favourably on the presentation of the U.K. case in the staff papers. He recognized that in asking for full use of its quota a very large sum was involved; however, this was considered necessary in all the circumstances, and more particularly because of the confidence factor. It was, he said, the U.K. intention to draw the $561 million more or less immediately; no decision had as yet been taken about the currencies to be purchased if drawings were to become necessary under the Stand-by. However, if this question did arise, the U.K. intended to consider carefully "what currency or currencies might appropriately be drawn in the circumstances."

Harcourt's analysis of the internal situation of the U.K. followed closely that in the staff papers. His general line was that the inflationary pressures in the U.K. were diminishing as a result of the various fiscal and monetary measures which had been taken and that the fundamental outlook was rather better than it had been in the last year or so. He noted a marked slackening of consumer expenditure, a considerable fall in house building, the switch from the production of domestic consumer goods to capital goods and to exports, and the easier labour situation (although the situation was still characterized by full employment). The problem of wages was, he admitted, still difficult. However, there had been a noticeable change in the climate in which wage negotiations were taking place. The pressure for wage increases from the Trade Unions was more gentle than in earlier years and the employers, because of the less inflationary conditions, were resisting wage claims more strongly than in any of the five previous years.

On the external side, also, Lord Harcourt suggested that the basic position had considerably improved. During the first half of the year there had been a current payments surplus of £144 million which, however, had not been fully reflected in the movement of the reserves because sterling balances had fallen. Exports had been rising steadily during 1956 and by value were running 10% above last year. As to the competitiveness of U.K. exports, about which questions had recently been raised in certain quarters, it was to be noted that sales to the dollar area, which was perhaps the world's most competitive market, were up 30%, or 20% above the average increase in exports generally.

In line with the Chancellor of the Exchequer's statement in the House of Commons on December 4, Harcourt's conclusion was that the pressure on the U.K. reserves and on sterling, which had been experienced in varying degrees since the end of July, arose not from a fundamentally weak U.K. economic position but was accounted for by the international situation, the effects of which were especially evident on sterling, a currency which was widely held and used, both for trading and for reserve purposes, and which financed over one-half of the world's trade. He went on to emphasize the magnitude of the strain to which sterling was exposed in a situation of international tension when confidence fell. While it was not possible to measure accurately the impact of "leads and lags" on sterling, it had been estimated that in the 1949 crisis this factor had accounted for a loss of between $700 million and $1 billion. Another way of looking at the problem was to appreciate that the turnover of the sterling area with the rest of the world was of the order of £1,000 million per month; with such turnover it was evident that a very small movement in confidence could give rise to heavy pressure on reserves.

Turning to the more immediate economic consequences of the disruption of traffic through the Suez, Harcourt commented on the staff estimate that there would be a deterioration in U.K. current payments on oil account of the order of £125 million in the period up to June 1957. This figure, he said, could be no more than an informed guess (and he asked that it not be quoted outside the Fund). It was very difficult to make a calculation of this kind in view of the many factors involved, some of which were counter-balancing. Loss of oil to the U.K. would cause hardship and inconvenience, but if the short-fall could be held to 25% of normal consumption, he thought it was unlikely to have a substantial adverse effect on industrial production. If the short-fall was much in excess of this amount, however, the effects on production would be disproportionately large.

In summing up, Harcourt said that the U.K. need was to overcome the temporary disruption of its payments position. Time would be required to reverse the confidence movement against sterling and to allow a further period for the fiscal and monetary measures which had been taken fully to work their way through the economy. It was for this reason that Fund assistance was required. In this connection the Chancellor had said that it was the U.K.'s intention to maintain the present parity of the pound, to avoid the reimposition of external controls and to follow fiscal credit and other policies designed to strengthen the economy both internally and externally. As regards the drawing, the U.K. intended to abide by the customary terms of repayment to the Fund. He was satisfied that once confidence in sterling had been re-established there would be a reversal of recent capital movements and that with the immediate difficulties overcome, the U.K., as a result of the various measures which had been taken, would be earning a substantial balance of payments surplus from which repayment to the Fund could be made.

As regards other resources which might be mobilized to reinforce the reserves, Harcourt referred to the Chancellor's statement that he was prepared to use the U.K.'s dollars securities, valued at between $750 million and $1 billion, as collateral for borrowing from the appropriate agency of the U.S. government (the Ex-Im Bank) and that the U.K. had been assured that if requested support in the form of a loan against these securities would be promptly available. He said this matter was now being pursued and Southard confirmed the assurance which had been given by the U.S. government.

The consensus of the Fund Board was so overwhelmingly in favour of meeting the U.K.'s requests and the reasons given for so doing were so similar in most cases, that it is unnecessary to report in detail what each Director said. Nonetheless, certain features of the discussion should be recorded, including the position taken by Southard, the U.S. Executive Director.

Southard said he fully supported the U.K. request for reasons which were almost too obvious to require mention. Sterling was a very important international currency and all countries had an interest in its stability. He noted, particularly, the great disadvantages of a situation in which the U.K. and other countries were forced to reimpose severe restrictions. The U.S. did not consider that the concept of the Fund as embodied in the Articles of Agreement and the "key currency" approach to the world's international monetary problems were mutually exclusive and felt that in backing the U.K. request on this occasion this was being clearly demonstrated. The Fund was proving itself capable of recognizing the importance of sterling and of acting resolutely to bolster it up. Failure would involve disastrous consequences. He accepted the analysis of the staff that the measures which had been taken by the U.K. to restore its economic position were beginning to bear fruit and that the immediate difficulties were of a temporary nature arising from confidence factors. It was noteworthy that the U.K. in the first half of this year had maintained its share of the world market for exports of manufactured goods. It was his hope, when the current difficulties had been overcome, that the U.K. would go on to regain a greater proportionate share of this important sector of the international market. In conclusion, he said his government fully supported both the drawing and the stand-by; the assistance forthcoming from the Fund and otherwise should serve to reverse the capital movements to which sterling had been subject and give time for the basic measures which had been taken in the U.K. to have their required effect. If the requested support was not forthcoming from the Fund it could not be expected that these measures would have the opportunity to prove their effectiveness.

The overwhelming support which Southard gave to the U.K. request was indicative of, and perhaps partly explained, the near enthusiasm of most members of the Board in agreeing to the Management's proposals. For an afternoon, it seemed that the customary caution and equivocation of most Directors had been thrown out the window; the unqualified willingness to back up sterling, although most marked in the case of Directors representing the main sterling area countries, was almost universal. Speaker after speaker emphasized the key role of sterling and the necessity for the Fund to rally to its support. Somber and dramatic pictures were painted of what might happen if confidence in sterling were not restored. No one openly questioned Harcourt's contention that the U.K. difficulties were temporary and that the fundamental position was sound.

Callaghan, speaking for South Africa and Australia, thought it was self-evident that when sterling needed support the doors of the Fund's vault should be thrown wide open. From his point of view it was as much the Fund as the U.K. which was on trial. If the Fund failed to support sterling as requested, the institution might as well close its doors! The Indian, in giving wholehearted support, emphasized the good which would be done for the world as a whole. The French representative thought the amount and character of the U.K. request appropriate to the need and expressed the hope that with the Fund's assistance the U.K. would overcome its difficulties. Paranagua accepted the U.K. analysis of the situation and believed it was vitally important to take all measures to restore confidence. He recalled the difficulties of the 30's, the importance of avoiding their recurrence and welcomed the fact that on this occasion the I.M.F. was available with its resources to deal with the kind of situation which had arisen. This thought about the importance of the Fund being available to see the U.K. through its temporary difficulties was echoed by Watanabe, the new Japanese Executive Director, by Lieftinck and by others.

In your statement, you underlined the importance of the U.K.'s announced determination to avoid the reimposition of restrictions. According to Watanabe, this factor had also weighed heavily with the Japanese Government in its decision to support the U.K. request.

In similar vein, Hanemann, the German representative, expressed the hope that the U.K. would be able to maintain its OEEC liberalization and avoid the reimposition of Q.R.'s. Toussaint, the Belgian representative, also linked the desirability of massive Fund support to the U.K.'s intention to maintain the present degree of freedom of its trade and payments. Harcourt, in a subsequent reply to Hanemann, said it was the U.K.'s firm resolve not only to maintain its OEEC liberalization but "all other liberalization which it had achieved in the past five years".

In giving our support you said that we had been looking forward to the day when the Fund would place a large amount of its resources at the disposal of the U.K. for a convertibility operation. You added, however, that if it was not possible for the time being to make further progress, it was clearly of the utmost importance to retain the ground we had gained. Friis, the representative of the Scandinavian countries, expressed the same thought, as did the German. Each of them was also prepared to back the request. Friis expressed the hope that the U.K. would overcome its present difficulties in the not too distant future and that it would then be possible to move on to a world of still freer trade and payments. In concluding your remarks, you said we hoped the measures taken and to be taken by the Fund, the U.K. and others would "speedily achieve their purpose" and that it would not be too long "before we are again able to resume the substantial progress made over the past few years towards attainment of the Fund's objectives". Caranicas, speaking for Italy and Greece, regretted that the assistance to be given by the Fund would not be in support of sterling convertibility, but he thought that in a sense the Fund's action might prove to be just as useful (presumably in preventing a still worse situation). In any event, he believed that it was quite proper for the Fund to come to the assistance of a member in temporary difficulties of the kind being experienced by the U.K.

Only two speakers referred to the fundamental difficulties of the U.K. in the economic field and the need which might arise to take additional measures to achieve a healthy balance of payments situation in the longer run. And what was said was pretty circumspect. You mentioned that it was still too early to have a considered judgment of the full economic consequences on the U.K. of recent events or of the measures which might still be required to deal with them. In this connection, you noted that part of the Chancellor's statement which indicated that increases in taxation might well be called for and which stated that the wider implications of recent events on government expenditure and certain other fields would be given urgent attention. Hanemann touched briefly on these matters in saying that measures were being taken to reduce demand in the U.K. and that additional measures might be necessary. Lieftinck, the Dutch Director, who normally is pretty bearish on the U.K. economic outlook, on this occasion found it possible to agree that the basic position "could be called good". He recognized that the future international outlook was uncertain and might have difficult economic implications. He concluded, however, that one should not be pessimistic and with an expression of hope that the measures being taken would soon be successful. He was "very pleased to give full support" to the U.K.'s request.

In agreeing to the very large drawing and stand-by, you and several other Directors, including Southard (and for that matter Harcourt), drew attention to the unique features of sterling as an international currency and by implication at least indicated that what the Fund was prepared to do for the U.K. should not be regarded as a precedent for equally large accommodation to other member countries. Hanemann went a little further and emphasized that the Fund's policy would necessarily vary from case to case and that each case would have to be judged on its merit. While the question of precedent did not loom large in the discussion, I think the record will clearly show that the willingness of Directors to go along with 100% support for the U.K. was pretty well tied to the particular position of sterling and to the confidence movements accounting for so much of its present difficulty. Nonetheless, what was done by the Board cannot be disregarded in the history of the Fund's policy on the use of its resources. In this connection you will remember that Sol, who represents the Central American countries, said that the division of members' quotas into tranches had lost most of its significance "as the present case proved", and that the Fund's policy was now a liberal one both as regards large and small quotas. Moreover, Pinto said that in giving the U.K. support up to 100% of its quota the Fund was embarking on "a new phase of its own existence".

In the discussion, Lieftinck and Toussaint showed considerable interest in what Harcourt had said in his introductory statement about the currencies which might be purchased if a drawing became necessary under the Stand-by Agreement. Lieftinck enquired whether it was known what currencies might have to be drawn and expressed the hope that U.K. purchases of other members' currencies would not cause difficulties to members, who might at the time themselves be in a delicate payments situation as a result of international developments. Toussaint (Belgium) was more explicit. Speaking personally, he said he hoped and expected that a drawing would not become necessary under the stand-by. However, if the need arose and a decision was taken to draw in "other currencies" he took it that due consideration would be given to the situation in countries whose currencies might be drawn and he assumed that there would be full consultation on any such drawings. Harcourt, in reply to this discussion, re-emphasized that careful consideration would be given to currencies in which drawings might have to be made and went on to say that the U.K. "certainly would not intend to draw without ample consultation" with the country involved. Incidentally, you will recall that at this point in the discussion Southard intervened to say that the U.S. authorities were satisfied that on the occasion of the present drawing rule G-4 had been fully complied with. This is the rule which says that when a member expects to purchase an unusually large sum of any other member's currency, relative to the quota of that member, it shall give the Fund "as much notice of the proposed transaction or transactions as can reasonably be effected". Southard's intervention was in response to Lieftinck's expression of hope that the U.K.'s drawing, or possible future drawings under the Stand-by, would not cause difficulties to the members concerned. The implication of his comment would seem to be that in the U.S. view, notice to the Fund logically also involves notice to and consultation with the member whose currency is to be drawn.

Lieftinck asked, as a matter of information, whether an estimate could be given of the amount of overseas sterling holdings (Table 19 of SM/56/83) which might be regarded as demand liabilities. The reply was that the amount of sterling held by overseas countries as working balances could vary from time to time and that even sterling held by certain countries as a statutory currency reserve could also be varied by legislation. Accordingly, no precise answer could be given to the question and in the U.K. view an attempt to do so would not be profitable or meaningful.

As a special point in our statement, you assumed that the U.K. authorities would wish to keep the Fund fully and speedily informed of developments in the United Kingdom's economic situation and policies. You went on to suggest that the Fund, having committed so much of its resources, would have a duty to keep fully abreast of the U.K. position as it developed. No other speaker emphasized the desirability of the Fund keeping actively in touch with the U.K. (and vice versa) in the coming period. However, the new Director for the Argentine did suggest that in addition to giving the U.K. financial assistance it would be helpful if the Fund kept in close contact with it and with other countries adversely affected by recent developments in the Suez area.

After you and Southard had underlined the importance of the U.K.'s policy objectives as set out in paragraph 1, and after a minor change had been made in the text, the Stand-by Agreement was approved with no votes against and Mansour abstaining. He indicated that of his countries, Pakistan, the Philippines and the Lebanon supported the U.K. request; the other countries, Afghanistan, Ethiopia, Iran, Iraq, Jordan and Syria, in addition to Egypt, either wished him to abstain or had not been heard from.

I should perhaps mention the brief exchange which took place in the Board about the "waivers" in the U.S./U.K. and Canada/U.K. Financial Agreements.[8] Harcourt, in his opening statement, said he wished to refer to this matter in order to remove certain misunderstandings which might have arisen from press reports published after the Chancellor's statement in the House of Commons. Harcourt emphasized that it was quite incorrect to refer to the U.K. as having requested a waiver from the United States. The true position was that, provided certain conditions of the Agreement were fulfilled (which he outlined in brief), the U.K. had a positive right to the waiver. However, one of the conditions was incapable of intelligent interpretation. Accordingly, the Secretary of the Treasury had agreed to put the matter to Congress in order to resolve the difficulty. In describing the Canadian agreement, Harcourt indicated that a waiver on our part was mandatory provided the conditions of our Agreement were met and the conditions in the U.S. agreement were also fulfilled. In correcting this statement you said that under our Agreement the waiver would be granted if the conditions of Article 4(a) and (b) were met and if, in addition, interest payments due in a particular year on any credit made available to the Government of the U.K. to which a similar provision for a waiver of interest applied (the U.S. Agreement) were also waived. Harcourt correctly reported the comments of the Minister of Finance in paragraph 4 of his Press Release of December 4.

A copy of the full text† of your statement in the Board is attached.

I am attaching two extra copies of this letter and its enclosures.

Yours sincerely,
J.W. WARREN

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820. L.R./76-284

Note du sous-gouverneur de la Banque du Canada

Memorandum by Deputy Governor of Bank of Canada

[Ottawa], May 31, 1957

MR. JACOBSSON'S COMMENTS ON THE CANADIAN PROPOSALS FOR THE ORGANIZATION OF THE WORK OF THE EXECUTIVE BOARD OF THE FUND

In his memorandum of May 8† Mr. Jacobsson expresses his views on the proposals for the organization of the work of the Executive Board of the Fund put forward by Mr. Harris at the Governors' meeting in September 1956. He reaches the conclusion that "there can be no general adoption of the Canadian proposals" and suggests as a possible alternative approach towards improving the functioning of the Fund (a) that the Fund should pay the expenses of Executive Directors and their families for home leave in one of the countries the Director represents every year or every other year, and (b) that the Fund should arrange each February meetings of senior Treasury and Central Bank officials from a limited number of countries to discuss informally the world payments and economic situation, allow personal contacts, etc. There is also a suggestion in the Managing Director's paper that the salaries presently paid to the Executive Directors ($17,000 per annum net of taxation) may be too low to attract men of the calibre required under the present system of organization.

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[8] Voir volume 22, chapitre IV, 3^{e} partie, section C, subdivision II.
See Volume 22, Chapter IV, Part 3, Section C, Sub-section II.

In any matter relating to the organization and working methods of the Fund it is obvious that the views of the Managing Director must be treated with great consideration, and the organizational arrangements of the Fund must clearly be of a character which carries his judgment. However, Mr. Jacobsson has stressed in his memorandum the tentative nature of his own suggestions, and in view of this and of the apparent failure of the Canadian representatives to make clear what they had in mind in their proposals, it may be helpful to put forward some comments on various points raised by the Managing Director.

In practical terms, the Canadian proposal boils down to a suggestion that the Executive Board of the Fund should schedule meetings a few times a year for the discussion of important policy matters in order to make it possible for those countries who wish to do so to be represented on the Board of Directors who would continue to have operating responsibilities in their own countries. This suggestion is a modest one. It involves nothing more than an informal agreement by the Board that it will try to schedule its business in a certain way. It requires no country to change its present method of representation on the Board. The Canadian Executive Director has discussed the proposal with several Directors and has encountered much support and no opposition.

The Managing Director's objections to the Canadian proposal appear to be

(a) that it is difficult or impossible to apply the suggestion to Directors who represent more than one country,

(b) that it is difficult or impossible to distinguish between important and unimportant matters,

(c) that the influence of the Managing Director would be reduced if there were fewer full time Executive Directors,

(d) that full time Directors are needed to provide a background of knowledge of the Fund essential to the effectiveness of the Board.

As regards the first of these objections, we have recognized that, even if our proposal were adopted certain countries would wish to continue to be represented by full time Directors, and as indicated above it would be left open to each Director to operate as he saw fit. To accomplish the purposes we have in mind it is not necessary that all Directors become "part-time". Our aim is to help make the Fund a more vital and influential institution, and it would contribute to this result even if only the main trading countries of the world were represented by officials with national operating responsibilities. It is true that practical considerations make it easier to apply the "part-time" system to Directors who represent only one country, but it is not accurate to say that the system is impossible to apply in the case of Directors representing several countries. Mr. Saad, representing 10 countries, operates on that basis; for several years the Canadian Director operated on that basis, representing Iceland and later Norway; and the German Director operated on that basis, representing Yugoslavia. The "other" country or countries represented by a part-time Director may well wish him to be present on those infrequent occasions when a matter of particular importance to it, e.g. a drawing, or a change in its exchange rate, is up for discussion. Even in these cases, however, it would probably make for more realistic and knowledgeable discussion in the Board if the "other" country were represented directly by one of its own officials as it is entitled to be under the Articles of Agreement. This procedure has been followed on several occasions (frequently with the full-time Executive Director present) with satisfactory results.

Mr. Jacobsson apparently regards the fact that Directors are elected, as he says, "very much in a personal capacity" as a serious objection to their not being full-time at the headquarters of the Fund. The implication would appear to be that the countries electing them would not be satisfied to be represented during the greater part of the year by someone else, i.e. the Alternate. Now, it is true in a formal sense that when the Executive Directors are elected voting takes place for an individual, but essentially the process is one of (1) arranging voting blocs to secure the necessary number of votes and (2) voting for the candidate put forward by the largest country in each group, with some saw-off between directorships and alternateships and between representation on the Board of the Fund and on the Board of the Bank. Since no group of countries would be required under the Canadian proposal to be represented by a Director with national operating responsibilities, any group which decided to be so represented would presumably have come to the conclusion (already reached in certain cases) that their interests, including their over-all interest in the functioning of the Fund would be best served by the combination of the particular part-time Executive Director whose services would be available under his arrangement and the full-time Alternate.

The second objection raised by the Managing Director to the Canadian proposals is the difficulty in distinguishing between important and unimportant questions. This would not seem to be a difficulty that he is likely to continue to experience for very long. There have, as he points out, been an unusually large number of exchange transactions during the past five months but, with the exception of the U.K. drawing, they did not involve the adoption of any basically new policies by the Fund, though no doubt a good deal of pains-taking preparatory work on the part of the new Managing Director was needed. Indeed, his task in satisfying himself that the proposed drawings were proper ones for the Fund would undoubtedly have been easier if the drawing country had been represented by an Executive Director who had just come from home to negotiate the loan and who would be returning home to some job of responsibility. It would certainly be expected that "part-time" Executive Directors would go to the headquarters of the Fund to discuss a proposed drawing by their country. On the other hand, under the present arrangements, the Fund is in the unique position of lending large sums of money without it being necessary for the borrowing country to send a Treasury or central bank official to negotiate the loan, explain the country's policies and prospects, etc. Since last October the Fund has arranged credits or permitted drawings in amounts of $1,300 million (U.K.), $262 million (France), $200 million (India), $75 million (Argentina) and $50 million (Belgium) without a single one of these cases establishing direct contact with the national authorities who will be responsible for the expenditure of the funds or for the policies which will determine whether repayment can be made.

The third objection raised by the Managing Director to our proposals is that his influence depends to a large extent on the "quality and authority of the Executive Directors". If this means that the Managing Director should exercise his influence mainly through a Board of full-time Directors resident in Washington, the view is one with which we are unable to agree. On the other hand, we would readily agree that the Managing Director's influence in national policies would be enhanced if the Executive Directors were, to a greater extent than now, persons who had some share in the formulation and execution of these policies — this indeed is one of the main objects of our proposals.

There seems to be some risk that underlying this last point raised by Mr. Jacobsson is an inward-looking conception of the role of the Fund, reflected in what we would regard as an excessive preoccupation with the question of how smoothly the machinery turns over at 1818 H Street. The conception of the Fund which we have held is of an institution which is intended to radiate influence throughout the world. We believe that it would help accomplish this if the important trading countries were represented on the Board by operating officials rather than "international civil servants" and that the proposal we have made would enhance the authority of the Managing Director and make it more possible for him to establish direct relations with the responsible national monetary authorities.

The final specific objection made by the Managing Director to the Canadian proposals — that full time Directors provide a necessary background of knowledge for the work of the Board — can be dealt with briefly. It is of course important that the Board should have a thorough knowledge of the Fund and its methods. However it is not necessary to live in Washington to acquire this knowledge, nor should it be forgotten that the Fund has a permanent staff of 400 (apart from 17 Directors, 17 Alternates and 33 Assistants to Directors and Alternates) whose knowledge and experience are available to the Board.

Turning now from Mr. Jacobsson's specific objections to our proposals to his own suggestions, it is unlikely that the proposal to increase the benefits (and possibly the remuneration) of the Executive Directors will commend itself here. The Directors can now go to the countries appointing or electing them on business travel as frequently as they choose, and the current budget provides an item of $60,000 for such business travel of Executive Directors, apart from a similar amount for appointment and repatriation travel and $11,000 for home leave travel. Executive Directors have the same home leave privileges as senior members of the staff, and it is difficult to see what justification there is for the Fund to incur additional expenses to pay the fares of Directors' families home for annual holidays on the ground that this will increase the effectiveness of the Fund. If there is a case for greater benefits of this sort it should be made on its own merits.

The Managing Director's proposal to arrange an annual meeting at which senior officials from the Treasuries and central banks of 20 countries would be invited to take part in a three day session of informal discussions of the world payments situation is an interesting one. If other more distant countries feel that such a meeting is likely to be purposeful, and arrange for their Deputy Ministers of Finance and central bank Governors to attend, it is altogether likely that Canada will be willing to do likewise. However, such a meeting seems hardly likely to accomplish the main purposes we have had in mind in putting forward our proposals regarding the Executive Board. This meeting would presumably be attended by in the neighbourhood of 75 people (including Fund staff). The discussions would have to be general in character as they would not be focused on concrete Fund problems, which would necessarily be left to the Executive Board. Having in mind the general character of the discussions, the size of the gathering and the lack of real continuity in meetings held at yearly intervals, there is a real risk that the predominant atmosphere of the meetings would be academic and that the predominant atmosphere of the whole gathering would be social. If this turned out to be the case, the attendance of the senior officials whose presence was desired would of course fall off in subsequent years.

In spite of this uncertainty of success, the idea may well be worth a trial.

While we are appreciative of the consideration the Managing Director has given our proposals, it is apparent from these notes that we do not believe that very convincing reasons have been brought forward why the scheduling of policy meetings of the Executive Directors should not be undertaken, nor that an adequate substitute has been suggested. In his memorandum the Managing Director remarks that "there may be a number of countries who are sufficiently interested in the Canadian proposal to give it a trial". However, most countries would not find it possible to give it a trial unless the Board changed its work methods in the way indicated, i.e. by scheduling policy meetings at stated intervals, for only then would they contemplate nominating operating officials as Executive Directors. The change in work methods suggested is in fact a relatively minor one which involves no basic change in the present arrangements. We intend therefore to continue to try to persuade the Managing Director that the idea is worth a trial.

3ᵉ PARTIE/PART 3

ACCORD INTERNATIONAL SUR LE BLÉ
INTERNATIONAL WHEAT AGREEMENT

821. DEA/4171-D-40

Extrait d'une note sur les discussions avec les fonctionnaires des États-Unis concernant le blé

Extract from Notes on Wheat Discussions with United States Officials

CONFIDENTIAL Ottawa, January 19, 1956

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6. *International Wheat Agreement*

Mr. Sharp began by explaining that we were not at all optimistic about the outcome of the Geneva discussions which resume on February 20. Canada was prepared to renew the agreement if the terms were reasonable, but we had no great expectation that reasonable terms would be forthcoming. These were the desiderata:

(a) The Agreement must apply to a sufficiently large proportion of the world's trade in wheat. If the exporters who join were the same as in the present Agreement the minimum quantity we would consider reasonable would be about 600,000 bushels (roughly the same as in the first Agreement). If the Argentine joined the total minimum quantity should be 700,000 to 750,000 bushels. We hoped to find out early in the discussions whether these figures might be feasible.

(b) We would be satisfied to have the same exporters as now, although we would be happy to have the Argentine as well. We were indifferent to French participation, and had no views yet about the U.S.S.R.

(c) It was very desirable that the U.K. should rejoin; we were doubtful about the value of an agreement without the U.K. But we would not go to undue lengths to get the U.K. to join.

(d) We would be prepared to make concessions about the ceiling, more so if the Agreement was a short one (3 years). We would be very firm about retaining the present minimum price. We would give no indication of any willingness to make any concession on the floor; this for two reasons:

(i) We do not think the present floor is at all higher than is reasonable, and we believe other countries including importers would take the same view on behalf of their own producers; and

(ii) we think any agreement to a lower floor price would be interpreted as a belief that prices were going lower, which would have an immediate effect on the market.

Mr. Sharp said he had discussed with U.K. officials their contention that there should be flexibility within the range between the maximum and minimum prices. He was not opposed to this principle provided it was not taken to mean that in present circumstances we should go to the floor. The decision whether to make a call at the floor was entirely ours to make.

The U.S. officials reported that there was a belief in the U.S. that the conclusion of an Agreement would be impossible unless the floor was lowered. They also said there would be some desire in the U.S. to accept a lower minimum, because of the present large stocks. (They mentioned $1.40 as a possibility). They wanted to have the Canadian view before further consideration was given to this in Washington. They thought it might be hard to defend the same floor price that had seemed reasonable three years ago.

Mr. McNamara replied that a good case could be made for retaining $1.55 on these grounds:

(i) Importers were buying wheat at higher prices than $1.55 and not complaining; nor were they getting comparable wheat below that price from other countries such as the Argentine; and

(ii) The cost of production had certainly not fallen during these three years.

Finally, Mr. McNamara emphasized that we regard the minimum as something to resort to only if the movement of wheat in international trade is abnormally small.

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822. DTC/10-66-1

Procès-verbal d'une réunion avec les fonctionnaires des États-Unis et Australie sur l'accord international sur le blé

Minutes of Meeting with United States and Australian Officials to discuss International Wheat Agreement

CONFIDENTIAL Ottawa, January 20, [1956]

Mr. McLain opened the discussion by explaining that opinion in the United States was divided on the desirability of a lower minimum. With the present surplus there was a case for lower prices, yet it had proved possible for the exporting countries to hold the line fairly well, and costs of production had risen if anything. If Canada and Australia were very anxious not to see a significantly lower price, and would not want an agreement on such terms the United States would like to know.

Sir Edwin McCarthy replied that Australia would not accept a lower price unless the quantities were substantial (e.g., unless the U.K. joined with its earlier quota). He indicated that in such case Australia would not be willing to go down more than ten cents. He said that as long as the U.K. was paying its own farmers 16/- (about $2.25) Australians would not see any reason why their own price should be much below the present minimum.

When asked whether Australia would be willing to make a call at the new minimum he replied that it would if necessary; but he did not think it would be necessary. Australia would, however, be willing to bring its prices down to the new minimum (if it was lower) if this was necessary to do business. He thought the U.K. expected that the price would come down to the new minimum under a new agreement. The U.K. would not consider it within the spirit of the agreement for the exporters to keep the price above the minimum in present circumstances. They would probably seek a commitment on this. He personally thought they had a case.

McLain commented that he thought the U.S. would not give any such commitment; if they did, no wheat would be sold until they went to the new minimum.

McCarthy thought the U.K. traders did not care much what the price was as long as it was stable. This was why they favoured an agreement. He went on to say that he agreed that a lower price would not really move more wheat as a whole; however, Australia would sell more at the expense of France and the Argentine.

Mr. McNamara reported that there was a division of opinion in Canada as to whether the IWA had outlived its usefulness. There would be support for an agreement only if the terms were realistic. It must control about two-thirds of the total world trade in wheat. We would not be prepared to consider a lower minimum price than $1.55. This had been accepted by the importers in the last negotiations without much debate, in the light of production costs and other factors. We recognized that it would not be possible to keep the present maximum price. We would accept a lower figure; how low might depend on the term of the agreement. In a short agreement (3 years) we might go as far as $1.90, but not in a longer agreement.

Mr. Sharp added that when he had talked with Sir Frank Lee and Sir Alan Hitchman in December they had stressed the importance they attached to the principles they had put forward at Geneva, especially price flexibility. He had replied that if this meant we should go to the floor in present circumstances we could not accept such an interpretation. We would contract to deliver at the maximum in exchange for the right to make a call at the minimum but the decision as to what price to charge in between, or when to make a call, would be our concern.

He had also pointed out that $1.55 at Fort William was not a remunerative price generally, although it might be if farmers could keep getting yields of 20 bushels an acre and could sell all they produced.

Mr. Sharp added that the nature of the so-called "deal" between Canada and the U.S. was that both countries had decided to keep some stocks off the market. But if we went to the minimum we would not really sell any more wheat, and we would still have to decide whether to hold stocks. The logic of the U.K. position was that when the IWA price was at the minimum, the non-IWA price should be below it; i.e., there should be competition until the market collapsed.

McCarthy replied that this was why the question of quantities was so important: if enough wheat was covered by the Agreement the non-Agreement market would be unimportant.

Mr. McLain was inclined to agree with Sir Edwin that the U.K. were right in supposing that it was originally contemplated that in a situation such as the present the price would move to the minimum. He agreed that the importers were likely to insist on a statement on this point by the exporters.

Mr. Sharp suggested that it could be argued that, if the U.K. view were accepted, when the situation improved the price should immediately swing to the maximum. Indeed the U.K. had argued strongly in the last negotiations that prices would never be in between the maximum and the minimum but would swing right from one to the other.

Mr. McNamara stressed the importance of avoiding any discussion of lower price levels which might lead buyers to hold back. The Agreement after all was of limited value.

Sir Edwin McCarthy replied that the Agreement was rather more important for Australia. If, however, Canada and the U.S. were convinced they could hold the line on the present basis the Canadian attitude was justified. In any case Australia would not "do anything foolish" at Geneva.

Mr. Hughes indicated that the U.S. (like Australia) would probably be ready to make some concession on the minimum price.

There was some brief discussion on the term of the Agreement (Canada and the U.S. preferred 3 years, Australia 5 years), exporters' quotas, arbitration, and quality differentials. It was agreed that a few representatives of each of the three delegations, without farm advisers, should meet in Australia House, London, on February 17, the Friday before the resumption of the Geneva meetings. There should be no publicity about this meeting.

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823. DEA/4171-D-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM 128 Ottawa, January 25, 1956

SECRET. IMPORTANT.

Following for N.A. Robertson from C.D. Howe, Begins: We have been informed by the United Kingdom High Commissioner's Office here that the United Kingdom Government might be in a position to talk with us about the International Wheat Agreement between February third and February seventh. This indication is in response to a suggestion from Mitchell Sharp to Sir Allen Hitchman, at the time of the United Kingdom-Canada Continuing Committee meetings, that it was desirable to have preliminary talks between our two countries before the reopening of international negotiations in Geneva on February twentieth. We are informing the High Commissioner's Office here that you will act on behalf of Canada at these preliminary talks.

2. We are most interested to know whether the United Kingdom government is strongly in favour of a renewal of the International Wheat Agreement or whether they are willing to join only if the terms are very much in their favour. During the conversations in Ottawa, Hitchman and Lee indicated that there was strong opposition to the United Kingdom's re-entry into the Agreement and that the government had to demonstrate that it had gained major concessions in order to justify to the public a reversal of policy.

3. You may inform the United Kingdom representatives at the meeting that Canada's participation in the new Agreement will depend in the main upon the level of guaranteed quantities and of prices. We do not think that there would be much value in an agreement which did not cover about two-thirds of international trade in wheat, that is about six hundred million bushels out of nine hundred million bushels, assuming membership of the United States, Canada, Australia and France as exporters and proportionately more if Argentina were a member. As for prices, Canada is not prepared to agree to a reduction in the minimum price below the present level of $1.55 for number one Northern, in store Fort William. Provided the Agreement is for a period of not longer than three years, we could agree to a significant reduction in the ceiling price (for your own information to as low as $1.90), but if the Agreement were for a longer period we would have to be correspondingly firmer at the top.

4. I wish the United Kingdom Government to be fully informed about the firmness of the Canadian view on these two points, so that if our respective views are irreconcilable, each of us will know this in advance and will avoid public bickering at Geneva which can only serve to harm Canadian-United Kingdom relations and relations between the Canadian Wheat Board and the United Kingdom, its best customer. In the view of the Canadian Government, $1.55 is a reasonable and justifiable floor. Farm costs are much the same as

three years ago. This price is very much lower than the support prices of all importing and exporting countries except Canada and Australia. Given normal yields $1.55 is by no means a remunerative price to Canadian growers, particularly after deduction of storage and interest costs on normal commercial stocks held by the Canadian Wheat Board. For your own information, I believe that a reduction in this minimum price would have a weakening effect on the price structure in general.

5. Hitchman and Lee indicated to Sharp that they believed that under existing circumstances our prices should be at the minimum under the Agreement. We do not accept this position. Our sales have been reasonably satisfactory at existing prices and we see no reason to call upon the importers to take up their guaranteed quantities at the floor. The Canadian position is that Canada would honour her obligation at the ceiling, as she has done in the past, but that the question of putting the price to the minimum and calling upon the importers to fulfill their obligations lies solely within the discretion of each individual exporter. Any modification of this principle would be quite unacceptable to Canada.

6. Lawrie is being fully informed of the discussions which have taken place between the Canadian delegates and their farm advisers and between the Canadian, United States and Australian delegates during the past few days. I suggest that Lawrie might accompany you to the meetings with the United Kingdom representatives. Ends.

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824. DEA/4171-D-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 116 London, January 31, 1956

SECRET. IMMEDIATE.

Reference: Your telegram 128 January 25.

Following for Right Honourable C.D. Howe from Robertson, Begins: Lawrie and I saw Hitchman with three or four senior colleagues at the Ministry of Agriculture and Food this afternoon. As Hitchman was prepared to outline the position which the U.K. advisers were putting up to their ministers, we listened.

2. Hitchman said that the U.K. were concerned about the world wheat situation and interested in ensuring that the present surplus position be adjusted without serious impact upon the world's economy. The main elements of the problem as the U.K. saw it followed pretty closely the first four points of the five-point exposition of the U.K. point of view made by Bishop in his speech in Geneva on October 27th (see Document E/Conf.20/EX/SR.2, page II); i.e., the U.K. would be prepared to take part in a concerted international effort to bring about the orderly disposal of world wheat surpluses. As part of an Agreement directed to this object, they would be prepared to relate their own production policies and incentives to growers to an agreed international programme. They would if necessary be prepared to restore such measures of control as might be required to implement their undertakings under such a programme. They did not think the present Wheat Agreement had any relevance to the problem of disposal of surpluses, and they did not think it would be politically feasible for the U.K. to reverse the position it had taken with respect to the IWA unless it could be demonstrated that a new Agreement was seriously

intended to attack the problem of surpluses which had become much more important the last two years than it was when the present Agreement was negotiated. Rightly or wrongly, public opinion in this country had approved of the U.K. Government's withdrawal from the Agreement and expected no particular advantage to accrue from the U.K. returning to a substantially similar Agreement.

3. After listening to this outline of U.K. thinking, in which Hitchman had not thought it necessary to define the U.K. position in respect of any specific aspects of the present Agreement, I decided, I hope correctly, that it would be unwise and unrealistic at this stage to reveal any of the specific points in the Canadian position which you had authorized me to communicate to Hitchman and his colleagues. I said that as far as I knew, thinking in Ottawa had been proceeding on much more modest and limited lines, that we had been considering the pros and cons of continuing an International Wheat Agreement of much the same shape and structure as that now in being — particularly as the preliminary discussions in Geneva had not produced any suggestions for its radical revision. In making up our own minds we naturally wished to know how much importance the U.K. attached to such an agreement. In general we felt that international wheat prices were not high in relation to other commodity prices, and that the quantity of wheat moving into human consumption was not likely to be proportionately increased by downward price adjustments. They did not dispute this very vigorously but thought that there was a good deal more elasticity in the demand for wheat for feed.

4. Hitchman said that they had seen McCarthy of Australia this morning, and had given him a similar explanation of the U.K. approach to the problem. They would very much like to learn how Canada viewed it before their ministers here settled their delegation's instructions from Geneva. He hoped we would be in a position to meet them again early next week. In the meantime they were not proposing to consult any other government, although it was possible that after they heard from Canada and Australia, they might put their ideas up to the U.S. and possibly India before the Geneva Conference resumed.[9]

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825. DEA/4171-D-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM 193 Ottawa, February 6, 1956

SECRET. IMPORTANT.

Following for N.A. Robertson from C.D. Howe, Begins: Your report of the United Kingdom approach to a new International Wheat Agreement did not occasion surprise. We had formed the very strong opinion that the United Kingdom did not intend to rejoin the present Agreement, almost regardless of price levels, and would seek some means of withdrawing from the present Geneva negotiations while still appearing to support the principle of an International Agreement.

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[9] Note marginale :/Marginal note:
Mr. Ritchie & file: Mitchell [Sharp] and [George] Vogel have seen this. They regard this as a clever UK way of presenting a refusal to participate, knowing full well that none of the importers at Geneva was willing to discuss domestic politics. J.F. G[randy]

2. It is unfortunate that the United Kingdom's attitude had not been made clear to the Geneva Conference at its First Session, thereby avoiding futile discussion of amendments to an agreement which they were not prepare to support. Earlier indication of this attitude would have enabled the conference to devote its energies to seeking an alternative.

3. While it is true that the present form of multilateral Agreement is not a solution to the problem of surpluses, and no one has suggested that it is, it can nevertheless be a useful means of insulating prices and markets from the effects of surpluses to the extent that the members wish to avail themselves of the protection at the floor. It can equally well be said that it did not solve the problem of shortages but it proved to be a valuable protection to importing countries in the years of shortage following 1949.

4. Canada would have no objection whatever to a supplementary Agreement dealing with the problem of existing surpluses. We would welcome, for example, the withdrawal of artificial supports and protection to wheat growing in all countries. We believe that if wheat prices in all countries were at the level of present Canadian prices, to both producers and consumers, there would be few problems of a continuing nature.

5. We would also welcome adherence by exporting countries to a policy of restraint in disposal of existing wheat surpluses, pending their disappearance either as a result of the withdrawal of increased acreages resulting from artificial stimuli or the recurrence of crop failures in some areas of the trading world.

6. We are sceptical, however, as to the prospects of achieving the necessary degree of international cooperation towards either of these desirable objectives. We continue to believe that the present form of Agreement, if broadly supported, can contribute something to stability and we shall strongly support its renewal along the lines indicated in my previous message which you should now convey to Hitchman. We would welcome a supplementary agreement relating to surpluses if one can be achieved. We cannot take seriously a proposal to abandon the present agreement in favour of some disembodied and non-existent alternative.

7. However, we have no desire to quarrel publicly with the United Kingdom Government on this issue. We are more interested in retaining the United Kingdom as a good customer for our wheat and flour.

8. Presumably, the United Kingdom Delegation will declare itself shortly after the conference resumes on February 20th. We would hope that the declaration in favour of an alternative approach will be accompanied by some specific proposals to be examined briefly by the full conference and then submitted for further study to a committee.

9. If, on the other hand, the United Kingdom Delegation is not going to make a specific proposals [sic] will be forthcoming from any other delegation. In that case, a decision will be necessary as to whether the negotiations should be broken off quickly or whether weeks should be spent in futile debate on what will inevitably be a lost cause. The United Kingdom tactics will be very important in this connection. It will be most helpful if you are able to ascertain the position which the United Kingdom will take on the opening of the conference.

10. We are wondering also whether Frank Anderson knows of the likely United Kingdom position. If he does it would be useful to have his opinion as to the way in which the conference will proceed.

11. Please suggest to Hitchman that the United States, with whom we are to meet in London about February 17th, should be informed of the United Kingdom position. Ends.

826. DEA/4171-D-40

L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures

Ambassador in United States
to Secretary of State for External Affairs

TELEGRAM 233 Washington, February 9, 1956

SECRET. IMPORTANT.
Reference: Our February 6/56 215.†

INTERNATIONAL WHEAT AGREEMENT

For M.W. Sharp Associate Deputy Minister Department of Trade and Commerce, Begins: I talked this morning with Marvin McLain. He confirmed what Earl Hughes had told me with reference to the instructions to the IWA Delegation to the Geneva meetings, which was reported to you in my teletype under reference. He said there has been substantial agreement among government officials and their advisors that the present range in prices should not be changed in a new Agreement. The producer representatives in particular do not want a reduction in the minimum.

2. Every effort, he said, will be made by the US Delegation in conjunction with Canada to hold the present price range. However, should it become clearly evident that no agreement is possible without a lower minimum, he thought the US would be prepared to accept a reduction of five, ten or even possibly fifteen cents in the minimum price, but reductions of this order would only be accepted in order to save the Agreement. Full consultation with the Canadians would precede the acceptance by the US of any change in the price range.

3. "It is our opinion", he said, "that the Canadians are right in wanting to maintain the present minimum. Canada has more reason for this stand", he said, "than has the US."

4. He is most anxious, he said, to know how firmly Canada will resist probable pressures from the importers to reduce the minimum, even to obtain a renewal of the Agreement. Canada's policy in this regard will be a major factor in determining the attitude of the US, he continued. He hoped, he said, that this matter will be made clear at the London meeting.

5. Only US government officials will go to London.

[W.C.] HOPPER

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827. DEA/4171-D-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 138 London, February 10, 1956

SECRET. IMMEDIATE.
Reference: Your telegram 193 of February 6.

INTERNATIONAL WHEAT AGREEMENT

Following for the Right Honourable C.D. Howe from Robertson, Begins: Lawrie and I saw Hitchman and his colleagues again on Wednesday, February 8, and spoke to them in the sense of your telegrams 193 and 128. They took note of the Canadian point of view, which they promised to communicate to their ministers. The discussion was desultory, with recrimination just below the surface on both sides. They are expecting to see Sharp and McNamara when they arrive on February 16, but did not anticipate that there could be any Cabinet reconsideration of the United Kingdom position between now and then. Yesterday morning the United Kingdom group saw McCarthy, whose comments on their approach and proposals were very similar to ours.

2. At our meeting on Wednesday I had raised the question of the United Kingdom informing Anderson, as President of the Conference, of the position they were taking. Yesterday afternoon Anderson met the United Kingdom group less Hitchman and was told of the conclusions they had reached. I gather that he dissented very vigorously, and followed up his observations this morning with a letter to Harwood, the text of which is repeated in my immediately following telegram.†

3. As you know, the Canadians in London have carefully kept out of any discussion of United Kingdom policy toward the IWA over the last two years. I thought myself this was the right policy, but it may have been a mistake. I fear our reticence may have confirmed their complacency that everything was working out for the best, particularly as I have never met anything to suggest that United Kingdom representatives in Canada have ever attempted to warn their government of the general Canadian feeling on this subject.

4. I have asked Heathcoat Amory and Home to have dinner with me alone this evening. Neither of them has had anything to do with past relations with the Wheat Agreement, but now they are probably the two ministers most directly concerned. I shall let you know if they confirm the line taken by their officials in their conversations with the Australians and ourselves ends.

N.A. ROBERTSON

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828. DEA/4171-D-40

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 159 London, February 16, 1956

SECRET. IMMEDIATE.

Following for Mitchell Sharpe from McNamara, Begins: Accompanied by the High Commissioner, Wilson, Davidson and I met George Bishop, who will again head the U.K. Delegation. Curzon of C.R.O. also attended.

2. Bishop stated that the U.K. will not support or take part in the negotiation of a New Wheat Agreement patterned on the present Agreement. He did not give reasons for decision of ministers, but indicated serious thought on their part in reaching foregoing conclusion. From his remarks we gathered impression that while the U.K. will not negotiate a renewed Agreement they will take position that an Agreement similar to the current agreement could again operate without U.K. participation.

3. Bishop stated that the U.K. will suggest that the International Wheat Council be empowered to discuss basic wheat problems and for such discussions to include countries which are not signatory to a new Wheat Agreement if one is negotiated. He amplified this thought in discussion by stating that the Wheat Council could exercise dual function of administering a renewed Wheat Agreement if one is arrived at, and in addition direct its attention to surplus problems. He indicated that the U.K. would indicate some basic problems for consideration and in discussion indicated that production incentives in importing countries would come within his proposal. Bishop also stated that although the U.K. will not take part in discussions for a renewal of the present Agreement, they will stand by for discussions of other proposals. This eliminates U.K. from price and quantity discussions if the conference gets to that stage.

4. In reply to a question by the High Commissioner, Bishop stated that the United States was being advised of the British position this afternoon, as well as other Commonwealth countries not already advised.

5. Bishop further stated that the U.K. position would be presented to the Wheat Conference in an official statement on Monday next at the plenary session. In discussion he indicated that the responsible ministers thought that no time should be lost in revealing the U.K. position.

6. A difficult position now confronts our delegation. Our feeling is that following the U.K. statement we should make a short statement to the effect that as a result of discussions at first session Canada had decided to support the renewal of the current Agreement provided it contained guaranteed quantities sufficiently large to enable it to accomplish its objectives. However, in view of the decision of the U.K., the world's largest importer, not to participate in renewal, it appears to us that the conference is now confronted with two major problems. These are:

(a) to explore the feasibility of re-negotiating an Agreement without U.K. participation;

(b) to study carefully and examine the U.K. proposals.

Delegations will require time to reassess the Wheat Agreement position and to study the U.K. proposals. Having said this, we should then suggest an adjournment of the conference in order that delegations might secure new instructions. In order to facilitate consideration by other governments, we would invite the U.K. delegation to amplify its new proposals in as much detail as possible prior to the adjournment.

7. Our delegation will await your instructions.[10]

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829. DEA/4171-D-40

Réunion hebdomadaire des directions

Weekly Divisional Notes

Ottawa, March 6, 1956

UNITED NATIONS WHEAT CONFERENCE

The Second Session of the United Nations Wheat Conference which began in Geneva on February 20 is still in progress. It is not yet clear whether or not these discussions will lead to a new International Wheat Agreement to replace the present agreement which expires on July 31. The United Kingdom delegate announced that the United Kingdom would not be willing to enter an agreement along the lines of the present one. He made these criticisms of the present kind of wheat agreement:

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[10] Ces instructions n'ont pas été trouvées./These instructions were not located.

(a) the disposal of surpluses was not linked to the working of the agreement;

(b) it did nothing to discourage the continuance of production in excess of effective demand;

(c) it did nothing to encourage increased consumption; and

(d) it contained no effective provisions to ensure the free movement of prices within the range prescribed in the agreement.

The United Kingdom delegate believed that measures of a different character could be found and said the United Kingdom would give full support to any discussions aiming to establish by formal convention a set of internationally agreed rules for the orderly disposal of wheat surpluses.

The principal exporters expressed some disappointment at the United Kingdom decision which they said made it somewhat doubtful whether a large enough proportion of world trade in wheat could be brought into a new agreement to make it effective. They were, however, willing to continue the negotiations without the United Kingdom participating. The importers also agreed to continue to negotiate on this basis. So far, however, it is by no means certain that enough wheat will be involved to make an Agreement realistic.

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830. DTC/T-20-1003

Le représentant permanent auprès de l'Office européen des Nations Unies
au secrétaire d'État aux Affaires extérieures

Permanent Representative to European Office of United Nations
to Secretary of State for External Affairs

TELEGRAM 45 Geneva, March 19, 1956

SECRET. IMMEDIATE.

Following for Right Honourable C.D. Howe repeated Vogel from Sharp. Begins: At Sub-Committee meeting this morning (Monday) importers made firm proposal of $1.90 maximum and $1.45 minimum for Agreement presumably 3 or 4 years although duration not too definite. We reiterated the Canadian position that guaranteed quantities for Canada are too small to justify price concession of any kind. It is possible that importers will finally be prepared to raise their offer by 5 cents per bushel. We have given no indication whatever that such an offer would be accepted. In fact we have made it as definite as language will permit, that in view of small quantities Canada cannot consider price concession. We assume, however, that before rejecting such an offer the government would wish to have individual views of farm advisers. Marler is only adviser who has so far indicated willingness to consider price concession at the minimum.

2. We have repeatedly thrown out the hint that a short term arrangement for one or two years at existing price would be acceptable to Canada. This short term idea is supported by a number of importers as a final alternative to breakdown but has not yet been thoroughly discussed by the importers as a group.

831. DEA/4171-D-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Australie

Secretary of State for External Affairs
to High Commissioner in Australia

TELEGRAM 28 Ottawa, March 20, 1956

SECRET. IMMEDIATE.

Following for High Commissioner from C.D. Howe, repeat to M.W. Sharp, Hotel de la Paix, Geneva, Begins: Will you please deliver following message immediately to Mr. McEwen:

1. Thank you for your message[11] received through Copland. I appreciate the frankness and thoroughness with which you have reviewed the Australian position.

2. I must be equally frank and tell you that, from the Canadian point of view, it would not be worthwhile to agree to reduced prices in order to get an agreement with the limited quantities indicated. Because the International Wheat Agreement has been a worthwhile example of international co-operation, I could defend a renewal of the Agreement with present maximum and minimum prices, even with reduced quantities. I would find it difficult, however, to contend that such a renewal warranted a reduction in those prices.

3. I can appreciate that Australia, already selling at or near the minimum, may look at the matter differently. Canada, however, is not at or near the minimum and, under the present circumstances, I can assure you that we do not intend to test the minimum. If we were to agree now to reduced maximums and minimums in a new agreement, this would inevitably be regarded by the importers as a sign of weakness. It could result in a renewal of the type of atmosphere where buyers hold back in anticipation of a price-break and which, in itself, creates a downward pressure on prices. If that were to happen to Canadian prices, it would of course have an immediate effect on your own.

4. If the I.W.A. negotiations do collapse, I can assure you that Canada will be ready and anxious to continue close and frequent discussions amongst the exporters. At the November meeting of the Wheat Conference, the United Kingdom Representative expressed the opinion that prices had been stabilized not because of the presence of the agreement but because the surplus stocks were in strong hands. I think we must agree that there was some justification for this opinion and, if the present Agreement is not renewed, I could hope that the major exporters will continue to pursue policies of firm and stable pricing.

5. Under the circumstances, therefore, I am reluctant to join you in an approach to the United Kingdom nor could I honestly encourage a postponement to permit discussion at the Prime Ministers' conference. I would, however, agree to a one-year extension of the present Agreement with the present prices to permit a thorough examination of the United Kingdom's type of proposal of which we have few details. It seems to me it is too important to be considered hurriedly at the present time.

6. Copland has copy of this reply. Ends.

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[11] Non retrouvé./Not located.

832. C.D.H./Vol. 88

Le représentant permanent auprès de l'Office européen des Nations Unies au secrétaire d'État aux Affaires extérieures

Permanent Representative to European Office of United Nations to Secretary of State for External Affairs

TELEGRAM 51 Geneva, March 21, 1956

SECRET. IMMEDIATE.

Following for C.D. Howe from M.W. Sharp. Begins: Repeat to Vogel.

McCarthy of Australia has approached seven principal importers to determine whether they could accept a three year agreement minimum of $1.50 maximum $1.95. South Africa, Germany, Belgium, Netherlands, Ireland and Brazil have answered in affirmative. India has not yet been approached. Japanese delegate says his instructions do not permit him to accept, but for reasons given yesterday true attitude of Japan is uncertain.

2. Tomorrow, Thursday, Sub-Committee on Prices and Duration will meet to consider importers offer of $1.45 minimum $1.90 maximum. Importers will re-state receiving offer. Canadian Delegation will say our position remains as previously stated namely that notwithstanding inadequate quantities we are willing to renew for three years or shorter period on present price basis. According to McCarthy, Anderson would then ask whether any compromise between these price views is possible. We would agree to report to Ottawa without holding out hope of acceptance.

3. We shall report on actual events tomorrow. Meanwhile we are canvassing views of farm advisers.

4. One year extension on present price basis does not now appear to command sufficient support from importers.

5. Sharp is planning to go to Bonn for meeting Friday or Saturday followed by one day in London before return to Ottawa. He will keep in touch with Geneva by telephone. Ends.

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833. DEA/4171-D-40

Le représentant permanent auprès de l'Office européen des Nations Unies au secrétaire d'État aux Affaires extérieures

Permanent Representative to European Office of United Nations to Secretary of State for External Affairs

TELEGRAM 52 Geneva, March 22, 1956

SECRET. IMMEDIATE.

Following for C.D. Howe from M.W. Sharp. Begins: Repeat to Vogel.

Conference developed as forecast in yesterday's message. Subcommittees were unable to agree on prices. Chairman reported this fact to Committee on Quantities and Prices. Chairman then went on to say that in order to break apparent deadlock he took responsibility for proposing compromise solution of minimum $1.50 maximum $1.95. We had been informed of this possibility in advance and had requested that compromise price at ceiling be left open between $1.95 and $2.00 price. He said that he was unwilling to do so and that if blocked or any other exporter wished to make proposal of $1.50 minimum $2.00 maximum it was free to do so.

2. When Chairman made his compromise proposal we repeated our position at length roughly along the lines of statement[12] sent to Vogel. Commenting on Anderson's compromise we said that we would transmit it to our government but could not hold out hope of acceptance. We drew particular attention to drop of ten cents in ceiling in return for very little, if any stability at floor because of inadequate quantities. Van Essche, Chairman of importers, on the other hand said that minimum of $1.50 would be more acceptable to importers if exporters could agree to $1.90 at ceiling.

3. All importers and exporters are now seeking new instructions.

4. Anticipating that we would be confronted by a proposal for compromise between the position of the exporting countries at $1.55-$2.05 and that of importing countries at $1 45-$1.90 I polled the farm advisers on three questions: one, would they support government if it were to enter into an agreement basis of $1.55-$2.05 for not more than three years. Their replies were unanimous in the affirmative. Secondly, would they support government if it were to break off negotiations rather than to accept any reduction from present price range. Without implying recommendations they reaffirmed unanimously the position they had taken earlier that they would support the government's decision to break. Thirdly, if compromise proposal were advanced by Chairman at $1.50-$2.00 would they support a government decision to accept the compromise. To this question Mr. Parker, Mr. Brownlee and Mr. Wesson and Mr. Marler went further to say they would recommend as well as support such a decision. On the other hand Mr. Plumar replied in the negative saying he would have to report to his Director that he had not supported acceptance of compromise. He did not wish his position to be interpreted as implying he would criticize the government if it were to take such a decision. Except for Mr. Plumar's qualifications Sharp is satisfied that you have latitude in choosing between a break and acceptance of $1.50-$2.00 with support in either case of farm advisers.

5. Farm advisers unanimously opposed acceptance of ceiling of $1.95 even if such a decision would end conference.

6. We now seek instructions on following alternatives: one, refuse to accept any compromise on prices. Two, propose minimum of $1.50-maximum $2.00.

7. We cannot assure you that the second of these alternatives would ultimately be accepted. Indeed importers are likely to form their decision around Chairman's compromise proposal. By putting forward this proposal we therefore run the risk of break on 5 cents at ceiling as in (group corrupt). On the other hand if we merely confirm our present position and not try the $1.50-$2.00 proposal we may be missing an opportunity to reach agreement if such price would in fact be satisfactory to Canada.

8. Pursuant to my telephone conversation with you I will now make a further statement to Prices and Quantities Committee this afternoon along the lines indicated in my telephone message namely that a reduction of ten cents in ceiling price is unacceptable to Canada.

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[12] Non retrouvé./Not located.

834. DEA/4171-D-40

Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès de l'Office européen des Nations Unies

Secretary of State for External Affairs
to Permanent Representative to European Office of United Nations

TELEGRAM E-48 Ottawa, March 22, 1956

SECRET. IMMEDIATE.

Reference: Your cable of today's date.

Following for W.C. McNamara from C.D. Howe, Begins: You are authorized to accept an International Wheat Agreement of three years duration with a minimum price of $1.50 and a maximum price of $2.00.

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835. DEA/4171-A-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM 512 Ottawa, April 4, 1956

CONFIDENTIAL

Following for J.B. Lawrie Canadian Wheat Board Representative from M.W. Sharp, Begins: Will you notify Chairman of International Wheat Council that Canadian Government has sent message to Washington urging United States Government to agree to $1.50 minimum, $2.00 maximum for a period of three years. It is my understanding that certain importing countries may wish to make representation along similar lines to Washington but I would leave Anderson to decide whether he wished to pass along news of Canadian action. Contents of Canadian message already given to Australian High Commissioner in Ottawa. Ends.

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836. DEA/4171-D-40

Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni

Secretary of State for External Affairs
to High Commissioner in United Kingdom

TELEGRAM E-592 Ottawa, April 13, 1956

SECRET. IMMEDIATE.

Following for Dr. C.F. Wilson repeat J.B. Lawrie Canadian Wheat Board from M.W. Sharp, Begins: We are advised from Washington that the instructions to the United States Delegation at the resuming Wheat Conference on April 16 will be to accept a two year agreement on the suggested terms. We understand that the instructions will envisage no possibility of agreeing to a longer agreement and that the two year duration will be a condition of U.S. participation.

2. As you know Canada was prepared to accept a one year extension of the present repeat present Agreement as a device to permit further study and negotiation and prevent the death of the Agreement. On the other hand, we were also prepared to accept a new Agreement for three years basis one dollar and fifty cents minimum, two dollars maximum. An agreement of only two years duration appears to us to be too short to be of much effect considering the small quantities that will be included.

3. It is the Minister's view, however, that Canada could not refuse to go along on a two year agreement at minimum one dollar and fifty cents, maximum two dollars if importers are agreeable and, of course, if quantities are acceptable. McNamara's letter[13] provides guidance on question of quantities. You should therefore state firmly Canada's preference for a three year agreement but be prepared at the appropriate time to go along on a two year basis. Ends.

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837. DTC/20-25

Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures

High Commissioner in United Kingdom
to Secretary of State for External Affairs

TELEGRAM 483 London, April 17, 1956

CONFIDENTIAL. IMMEDIATE.

Following for M.W. Sharp, Dept. of Trade and Commerce Repeat W.C. McNamara Wheat Board from Wilson, Begins: Following receipt of your telegram [...][14] yesterday morning Lawrie and I met with American and Australian delegations at which procedures were discussed in view of American instructions. At this meeting I asked Garthoff if in his opinion a two year agreement was their final position. He replied that he would have to have the two year proposal fully explored and rejected before going back to his authorities which he hoped would not be before Wednesday when McLain will be returning to Washington. After the meeting Sir Edwin McCarthy showed me a telegram he had received from McEwen who was in Washington on April 12 and saw McLain who indicated that two years was not necessarily the final position of the United States. Because of these indications that the American position is not as firm as that mentioned in paragraph one of your telegram, there seems to be some advantage in manoeuvring the Americans into seeking further instructions by Wednesday.

2. At Executive Committee meeting yesterday afternoon several importing countries reported acceptance of two dollar maximum one dollar fifty minimum conditional upon a three year agreement and [enforced?] [...] guaranteed quantities. To put it mildly the American statement threw the importers into confusion. After the Executive Committee meeting the importers and exporters met separately and [...] reported later that the

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[13] Non retrouvée./Not located.

[14] Ce télégramme a été reconstitué à partir d'une très mauvaise copie carbone. Les crochets indiquent que le texte était illisible.
This telegram was reconstructed from a very poor carbon copy. The square brackets indicate illegible text.

importers meeting was most unsatisfactory. Some countries representing about six hundred thousand tons said they could not participate in an agreement for less than three years. If they are firm then remaining quantities would be less than the exporters could accept. Most of the importer delegations were reluctant to seek new instructions because of differences of opinion at home on the various terms and because reopening the question of duration would also invite revisions in the existing instructions on quantities and price. Many governments are weary of the protracted negotiations and might take the opportunity to drop out.

3. On several occasions during Thursday's and this morning's meeting the importers tried to get me to declare that Canada would not take part in an agreement of less than three years duration. Had we been able to take this stand it would have provided a rallying point around which the importers could firm up their instructions on three years. I refused to make such a statement and indicated instead that although our position has been very firm on three years, the American proposal was a new one on which I would have to seek fresh instructions as well as the representatives of the importing countries. As I see it the danger of our forcing the issue back on the Americans is that they might conclude that they would withdraw and place the responsibility on Canada for refusing to consider renewal for two years.

4. In the circumstances I thought it best to speak to the principal importers [...] this meeting and was surprised to learn that with great misgivings Germany, Belgium and the Netherlands are seeking instructions that would permit them to press for three years but as a last resort to accept two years reluctantly. The Netherlands Delegation already has some instructions. The Japanese Delegate has [...] but expressed the opinion that two years duration would not prevent their accession. [...] real concern including that of the Americans is that there not be defections among the smaller importing countries that would leave the remaining quantities unacceptable.

5. I will have to declare the Canadian position in the light of the "fresh instructions" I promised to seek by tomorrow at latest. At the moment I would recommend that I express regret that there should be a two year proposal creating fresh confusion when it had been appreciated by all at the end of the Geneva Conference general agreement could be reached on the basis of three years. Although Canada would not say that we would ultimately reject two years at the cost of having no agreement we would strongly urge concurrence by the United States in the three year proposal. I think that the main importing countries will make similar statements which would provide some basis although not too strong a one upon which the United States Delegation could go back to their authorities to seek a change in their instructions. Unless I hear from you, I will proceed on these lines. Message Ends.

838. DEA/4171-D-40

Extrait d'un télégramme du haut-commissaire au Royaume-Uni au secrétaire d'État aux Affaires extérieures

Extract from Telegram from High Commissioner in United Kingdom to Secretary of State for External Affairs

TELEGRAM 501 London, April 19, 1956

CONFIDENTIAL. IMMEDIATE.

Following for M.W. Sharp, Department of Trade and Commerce, repeat W.C. McNamara Wheat Board, from Wilson, Begins: Your telegram 615 April 17† received and statement made in Executive Committee yesterday afternoon based on paragraph 5 of my telegram 483. Belgium, Canada, France, Ireland, Germany, New Zealand, Brazil, India, Netherlands, South Africa and Dominican Republic representatives spoke in that order in appealing to United States delegation to have their instructions altered to acceptance of three year agreement. I included in my statement that if Canada had no alternative but to accept two year agreement or no agreement at all, Canada would face its responsibilities in pursuing objectives of agreement and reluctantly accept two years although earnestly hoping that United States would not confine the conference to these two alternatives. Haeffner for Germany spoke similarly. Gartoff in summarising the appeal referred to Canada and Germany as giving qualified support to two year agreement. This the Chairman Haeffner and I emphatically denied and stressed the appeal for their acceptance of three years, in accordance with the wishes of the forty other countries. Over the past two days only Argentine and Mexico indicated that they would be content with a two year agreement.

2. Although Gartoff later accepted our statements in the sense intended and is seeking fresh instructions, if you agree I think it would be useful for you to telephone McLain directly to ensure that he is apprised of the overwhelming support still remaining for three years.

3. Ceylon reported yesterday new instructions to accept 175,000 tons in place of the 240,000 earlier submitted. The Netherlands advised yesterday only 600,000,000 bushels would be put into the Agreement for signature and that they would consider adding 100,000 tons next summer if satisfied on all points by Canada and United States in matter of recordings. As soon as I learned Netherlands had no intention of putting the 100,000 tons in question into agreement for signature, I declined to discuss merits of their complaint further, saying this was a matter for them to work out with Wheat Board within the Council. Will write McNamara further on this point.

4. With these alterations in quantities, the new grand total is now 8,004,000 tons. This figure is so low that I anticipate great difficulty in keeping the Canadian figure above a flat 100 millions in the meeting with other exporters on quantities this morning. Unless we come out above 100 millions, I shall reserve Canada's position on quantities forthwith.

5. In Executive Committee we have cleaned up all outstanding textual points in agreement. In Article XX we have provided that agreement should be open for signature in Washington until May 18. Instruments of acceptance are to be deposited by July 16 or notice of intention given by then, followed by actual acceptance not later than December 1. On this basis agreement will come into operation if two-thirds of guaranteed purchases and sales are represented by acceptances or notifications by July 16.

. . .

839. PCO

Note du secrétaire d'État aux Affaires extérieures pour le Cabinet

Memorandum from Secretary of State for External Affairs to Cabinet

CABINET DOCUMENT NO. 108-56 Ottawa, May 8, 1956

CONFIDENTIAL

A revised International Wheat Agreement to follow the present Agreement, which expires on August 1, 1956, has been agreed upon in London and is open for signature in Washington until May 18. Copy of the text is attached.

The new Agreement is drafted along much the same lines as the two earlier Agreements. The basic principles remain that at the maximum price an importing country can call upon the exporting countries to make wheat available up to the importer's guaranteed quantity; and at the minimum price an exporting country can call upon importing countries to take wheat up to the exporter's guaranteed quantity. The maximum and minimum prices, however, are each five cents lower than in the current Agreement. The maximum will be $2.00 per bushel and the minimum $1.50 per bushel for No. 1 Northern in store Fort William/Port Arthur.

Although the importing countries in the current Agreement are all expected to sign the new agreement they have, taken as a whole, contracted for smaller quantities. The United Kingdom decided not to enter the Agreement. The Argentine, an important exporter, is expected to enter the Agreement for the first time. so is Sweden, also an exporter. Thus the total quantity of wheat covered by the new agreement will be less than under the current Agreement, and the Canadian share will be smaller (103 million bushels, compared with 153 million bushels).

The main value of the Agreement to Canada however will not lie in the field of guaranteed purchases or sales. (For one thing the United Kingdom, a non-member, will continue to be Canada's largest customer). The main value of the Agreement for Canada will be the fact that the countries represented — most of the world's importers and exporters of wheat make it clear by signing this Agreement that they recognize that a price range from $1.50 to $2.00 is reasonable in present circumstances. This fact in itself should give an element of stability to world trade in wheat. I understand that the farm advisers fully supported the view that these terms were acceptable.

With the concurrence of the Minister of Trade and Commerce, I recommend that the Canadian Ambassador in Washington be authorized to sign the International Wheat Agreement on behalf of Canada.[15]

L.B. PEARSON

C.D. Howe
Minister of Trade and Commerce

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[15] Approuvé par le Cabinet le 10 mai 1956. Pour le texte de l'accord, voir Canada, *Recueil des traités*, 1956, n° 5.
Approved by Cabinet on May 10, 1956. For the text of the agreement, see Canada, *Treaty Series*, 1956, No. 5.

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